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8 **IN THE UNITED STATES BANKRUPTCY COURT**
9 **FOR THE DISTRICT OF ARIZONA**

10 In re:
11 **GRANITE DELLS RANCH HOLDING,**
LLC, et al.,

12
13 **Debtor**
14

Chapter 11
Case No. 2:12-bk-04962-RTBP

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17 **DEBTOR'S DISCLOSURE STATEMENT**
18 **TO ACCOMPANY AMENDED PLAN OF REORGANIZATION**
19 **DATED AUGUST 3 2012**
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26 DISCLOSURE STATEMENT: JUNE 11, 2012 PLAN

Case No. 2-12-BK-04962-RTBP

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EXHIBITS

Exhibit	Description
1	Plan of Reorganization
2	Property Map
3	Description of AED Claim Disputes
4	Debtor Financial Statements
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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

In re:

**GRANITE DELLS RANCH
HOLDING, LLC.,**

Debtor

Chapter 11

Case No. 2:12-bk-04962-RTBP

**DEBTOR'S DISCLOSURE STATEMENT TO
ACCOMPANY AMENDED PLAN OF
REORGANIZATION
DATED AUGUST 3, 2012**

GRANITE DELLS RANCH HOLDING, LLC, Debtor and Debtor in Possession in these chapter 11 proceedings ("**Debtor**"), files this Disclosure Statement to Accompany Debtor's Amended Plan of Reorganization, dated August 3, 2012 (the "**Plan**").

I. INTRODUCTION.

Debtor is disseminating this Disclosure Statement pursuant to § 1125 of the Bankruptcy Code to provide holders of claims against, and interests in, Debtor with sufficient information to permit them to cast votes to accept or reject the Plan. The Bankruptcy Court approved this Disclosure Statement on _____, 2012, for use in this context and has also established a deadline for casting ballots on the Plan. These dates are set forth on the Order and Notice sent with this Disclosure Statement. The Plan is attached as Exhibit 1.

A. BACKGROUND SUMMARY.

Debtor was formed as an Arizona limited liability company in July 2004 and acquired approximately 15,000 acres in Yavapai County, Arizona, near the city of Prescott (the "**Property**") in May 2006, with cash and a seller carryback note for approximately \$83 million. Debtor intended to obtain entitlements for the Property and

1 then develop and subdivide the Property for mixed residential and commercial use.
2 Debtor's development plans were significantly delayed by a sharp downturn in real
3 estate values in the state and nationwide occurring from 2007 through 2011. Debtor
4 continued to develop conceptual plans for the Property and obtained some
5 entitlements, annexation of a part of the Property by the City of Prescott, and a
6 favorable alignment plan for future Arizona Department of Transportation
7 improvements for the SR 89A freeway interchange to be placed entirely within the
8 Property

9 In 2008, however, Debtor had insufficient funds to continue payments on the
10 seller carryback note. Debtor and the sellers thereafter negotiated a number of
11 extensions and restructuring of the note and successfully avoided legal action into
12 2011. During 2011, Debtor and the sellers continued their negotiations, seeking to
13 agree to a significant principal reduction that would permit Debtor to pay the sellers
14 the reduced amount through a re-financing.

15 In January 2012, the sellers instead sold the note to Arizona Eco Development,
16 LLC ("**AED**"), an Arizona limited liability company formed by Robert Stuart Swanson
17 for the purpose of acquiring the note. Immediately after AED's acquisition of the note,
18 AED commenced proceedings for a trustee sale and, shortly thereafter, commenced
19 judicial proceedings for the appointment of a receiver. These chapter 11 proceedings
20 were commenced shortly after AED initiated the judicial and trustee sale proceedings.

21 For reasons described hereafter, Debtor believes that AED is entitled to a Claim
22 against Debtor only in the amount that AED paid to acquire the note and claim, which
23 Debtor believes is approximately \$28 million. AED is expected to contest Debtor's
24

1 position and instead assert that its claim should be allowed in the full amount of all
2 principal, interest and charges, which AED has asserted is over \$130 million.

3 In the accompanying Plan, Debtor proposes to re-structure the seller carryback
4 note and provide for the payment in full of the Allowed Secured Claim in quarterly
5 installments and in "partial release" payments from the proceeds of each sale of a
6 parcel or tract. The Plan provides for payment of the carryback note over eight (8)
7 years unless AED's Secured Claim is Allowed for the full amount asserted by AED, in
8 which case the claim would be paid out over no more than 25 years.

9 The Plan provides for payment to unsecured creditors (including any unsecured
10 claim of AED) in quarterly installments over eight (8) years aggregating \$5 million.
11 However, the Plan provides that a holder of an investment promissory note (estimated
12 to total approximately \$26 million) (an "Investor Claim") will be given the option of
13 participating in the funding of the Reorganized Debtor. A holder of an Investor Claim
14 who elects to participate in the funding shall become a member with a share of profits
15 pro rated among all new equity contributors. An electing holder of an Investor Claim
16 will also participate in distributions with other unsecured creditors, based on the
17 amount of accrued and unpaid interest such holder is owed.

18
19 The Plan provides that each existing member and holder of an interest in
20 Debtor (a "**Direct Equity Holder**") shall retain its interests in the Reorganized Debtor
21 only if such holder participates in the funding of additional equity.

22 The Plan also provides that each member of a Direct Equity Holder (an
23 "**Indirect Equity Holder**") shall be given the opportunity to participate in the funding of
24 the Reorganized Debtor to the extent its Direct Equity Holder does not elect to
25

1 participate. An Indirect Equity Holder who elects to participate will become a member
2 of the Reorganized Debtor with a share of profits pro rated among all new equity
3 contributors.

4 Thus the Plan permits each **Direct Equity Holder, Indirect Equity Holder and**
5 **each holder of an Investor Claim** to elect to participate in new money funding in
6 exchange for a pro rata share of equity. **Direct Equity Holders and Indirect Equity**
7 **Holders** who elect not to participate, will receive nothing for their equity interests and
8 will have their interests cancelled.

9 Based upon Debtor's development plans and the projections prepared by
10 Debtor's staff and consultants, Debtor estimates that a maximum of \$20 million of new
11 money, over three years, will be sufficient to complete development and make
12 payments under the Plan. The Plan accordingly provides for raising this amount
13 through equity and investor participation and through third party loans or new equity
14 investments.

15 **B. CLAIMS AND INTERESTS.**

16 The Plan provides that each Claim against, or Interest in, Debtor will be placed
17 in one of several Classes. The Plan also specifies the treatment provided for each
18 such Class. The Classes and their treatment are described in the Plan and below, in
19 section IV.B.

20 **1. Priority Claims.**

21 The Plan identifies Administrative Claims and Tax Claims as Claims that are not
22 classified in the Plan, in accordance with § 1123(a)(1) of the Bankruptcy Code. The
23 Plan provides for the payment in full of these Claims. Administrative Claims are
24 payable on or before the Effective Date of the Plan except as otherwise provided in
25

1 the Plan and described hereinafter. Tax Claims are payable with interest in quarterly
2 installments.

3 The Plan identifies a third class of possible Priority Claims, consisting of Wage
4 Claims Class 1.01), although Debtor believes that no Wage Claims exist. Should a
5 Wage Claim be Allowed, it would be paid in full on the Effective Date.

6 **2. Secured Claims.**

7 The Plan identifies three general groups of Secured Claims, which may or may
8 not exist: Lessor Secured Claims (Class 2.01), Deposit Secured Claims (Class 2.02),
9 and Secured Tax Claims. (Class 2.03), treated as follows:

- 10 • Lessor Secured Claims (secured claims arising in the context of a "lease
11 agreement" that is re-characterized as a financing instrument will be paid
12 in the amount Allowed as a Secured Claim in monthly installments over
13 the term of the lease agreement (including any options to extend).
- 14 • Deposit Secured Claims will be paid through permitting the holders of
15 such Claims to apply the deposit in payment of the Claim.
- 16 • Secured Tax Claims will be paid in full in quarterly installments, with
17 interest at the rate specified in the applicable statutes, over a period
18 concluding on the fifth (5th) anniversary of the Petition Date.

19 The Plan further identifies the Secured Claim of Sonoran Pacific (Class 2.05)
20 and Claims of AED as the AED Secured Claim (Class 2.04) and the AED Unsecured
21 Claim (Class 3.03). These Secured Claims are treated separately so that the Secured
22 Claim of each shall be paid in full in installments as summarized below.

23 **Sonoran Pacific's Claim** is secured by a lien on certain equipment and other
24 personal property of the Debtor. Debtor believes that the value of Sonoran Pacific's
25

1 collateral significantly exceeds the amount of its Claim, estimated at \$7,500. The Plan
2 provides for the payment in full of the Allowed Amount of such Claim in equal quarterly
3 installments commencing as of the Payment Commencement Date and continuing
4 each quarter until the third (3rd) anniversary of the Effective Date with interest at the
5 Secured Claim Rate (defined below).

6 The amount and treatment of the **AED Secured Claim** will depend on (i)
7 whether the holder of the Claim makes a valid election to have the claim treated in
8 accordance with §1111(b) of the Bankruptcy Code, (ii) the amount of the total Allowed
9 Claim, (iii) the value of AED's interest in the Property (the "**Creditor Value**"), and (iv)
10 the rate of interest applied to the Creditor Value (the "**Secured Claim Rate**").

11 The Plan provides for payment in full of the AED Secured Claim in through (i)
12 partial release payments as portions of the Property are sold, and (ii) minimum
13 quarterly payments.

14 **Partial Release Payments for AED Secured Claim.**

15 Beginning on the closing of the first sale of any parcel of the Property, the
16 Reorganized Debtor will be required to pay a portion of the proceeds to the holder of
17 the AED Secured Claim, based on a percentage of the Creditor Value. The applicable
18 percentages are set forth in Exhibit A to the Plan and have been calculated based
19 upon the relative value of each tract of the Property multiplied by 125% of the Creditor
20 Value as ultimately determined by the Bankruptcy Court.

21 **Minimum Quarterly Payments.**

22 If the §1111(b) election is not applicable, the amount of the AED Secured Claim
23 will be equal to the lesser of (i) the Allowed Amount of the AED total Claim, or (ii) the
24 Creditor Value. In this event, the Plan provides that, beginning ninety (90) days after
25

1 the Effective Date, the Reorganized Debtor will be required to make minimum
2 quarterly payments each equal to that amount which, if paid quarterly over eight (8)
3 years, would pay the full amount of the AED Secured Claim with interest. For
4 example, if the AED Allowed Claim is determined to be \$28 million and the Secured
5 Claim Rate is determined to be 5%, the minimum quarterly payment would be
6 \$1,076,021.

7 If the §1111(b) election is applicable, each minimum quarterly payment will be
8 equal to that amount which, if paid quarterly over twelve (12) years, would pay the full
9 amount of the Creditor Value with interest. For example, if the Creditor Value is
10 determined to be \$28 million and the Secured Claim Rate is determined to be 5%, the
11 minimum quarterly payment would be \$779,261. Payments at this rate would
12 continue until the date (the "**Creditor Value Payment Date**") upon which the
13 aggregate of all payments made equals the Creditor Value with interest at the
14 Secured Claim Rate.

15 After the Creditor Value Payment Date, the amount of the minimum quarterly
16 payment would be that amount which, if paid quarterly from the Creditor Value
17 Payment Date until the 25th anniversary of the Effective Date would fully pay the
18 balance of the AED Secured Claim (without interest) as such balance existed on the
19 Creditor Value Payment Date. These payments would continue until the AED
20 Secured Claim has been paid in full or, if earlier, until the 25th anniversary of the
21 Effective Date.

22 For example, if (i) the Creditor Value was determined to be \$28 million, (ii) the
23 Secured Claim Rate was determined to be five percent (5%), (iii) the AED Secured
24 Claim was determined to be \$130 million, and (iv) the Creditor Value Payment Date
25

1 occurs on the tenth (10th) anniversary of the Effective Date, the total payments as of
2 such date would have equaled approximately \$35,750,000 and the balance of the
3 AED Secured Claim would be \$94,250,000. The quarterly minimum payment after the
4 Creditor Value Payment Date would thus equal \$1,570,833 (\$94,250,000 divided by
5 the 60 quarters remaining until the 25th anniversary).

6 **Coordination of Minimum Quarterly Payments and Partial Release**
7 **Payments.**

8 Because the partial release payments and the minimum quarterly payments are
9 potentially duplicative, the amount the Reorganized Debtor is required to pay, in each
10 quarter and for each parcel sale, is subject to the following limitations: Each payment
11 shall be limited so that such payment, when added to all previous payments made,
12 shall result in total payments equal to the greater of (i) the minimum quarterly payment
13 amount multiplied by the number of quarters that have passed since the Effective
14 Date, or (ii) the cumulative total of partial release payments calculated under the
15 above provisions.

16 **3. Unsecured Claims.**

17 The Plan identifies four classes of general unsecured Claims: Inter-Company
18 Claims, Investor Claims, the AED Unsecured Claim (if any), and General Claims. The
19 Plan provides for treatment of these Claims as follows:

20 Inter-Company Claims (Claims of certain Affiliates of Debtor arising in the
21 ordinary course of business) shall be classified as Class 3.01 Claims. The holders of
22 such Claims shall be paid in full if and when all other Unsecured Claims have been
23 paid the full amounts provided for herein.

1 Investor Claims (Claims of Persons who received promissory notes from Debtor
2 as an investment in Debtor's business) are classified in Class 3.02. The holders of
3 such Claims are treated in the Plan based upon their election to be a Participating
4 Investor. The rights, interests and obligations of Participating Investors are
5 summarized below in section IV.B.4.b. Holders of Investor Claims not making such
6 election shall receive distributions from the Unsecured Creditor Fund, *pro rata* among
7 holders of Investor Claims, the AED Unsecured Claim and General Claims. The
8 Unsecured Creditor Fund will be funded by the Reorganized Debtor in equal
9 installments on a quarterly basis for eight (8) years, in the aggregate amount of \$5
10 million.

11 The AED Unsecured Claim (the amount of the Allowed AED Claim, if any, in
12 excess of the Allowed Secured Claim) shall be classified as Class 3.03. The holder of
13 such Claim shall also receive distributions from the Unsecured Creditor fund *pro rata*
14 with holders of Investor Claims and General Claims.

15 General Claims (Unsecured Claims without priority not otherwise classified in
16 the Plan) shall be classified in Class 3.04. The holders of such Claims shall also
17 receive distributions from the Unsecured Creditor fund *pro rata* with holders of
18 Investor Claims and the AED Unsecured Claim.

19 **4. Equity Interests.**

20 Interests in Debtor are divided into two classes:

21 Direct Equity Interests (the Interests of the members of Debtor) are classified in
22 Class 4.01. Each holder of a Class 4.01 Interest will receive nothing on account of its
23 Interests unless, and to the extent, such holder elects to be a Participating Equity
24 Holder, contributes to the funding of the Reorganized Debtor in accordance with the
25

1 terms of the Plan, and agrees to the other terms provided in the plan for Participating
2 Equity Holders. To the extent that a holder of a Direct Equity Interest does not elect to
3 be a Participating Equity Holder, each holder of an equity interest in such member,
4 referred to in the Plan as an Indirect Equity Holder, shall be entitled to become a
5 member of Debtor and receive an Interest in Reorganized Debtor if, and to the extent,
6 such holder elects to be a Participating Equity Holder and participates in the funding of
7 the Reorganized Debtor.

8 Equity Conversion Interests (the Interests of Investors who have a right to
9 conversion of their note to an equity interest in Debtor or a member of Debtor) are
10 classified in Class 4.02. Each holder of a Class 4.02 Interest will receive nothing on
11 account of its Interests unless, and to the extent, such holder elects to be a
12 Participating Equity Holder, contributes to the funding of the Reorganized Debtor in
13 accordance with the terms of the Plan, and agrees to the other terms provided in the
14 plan for Participating Equity Holders.

15 **C. PLAN FUNDING AND NEW EQUITY INTERESTS.**

16 The Plan provides that the operations of the Reorganized Debtor will be funded
17 from revenues from mining and grazing leases, sale of parcels of the Property, loans
18 from third parties, and equity contributions made by Participating Investors and
19 holders of Interests that elect to contribute additional capital and to participate on the
20 terms described in the Plan. The amount and terms of these contributions are
21 generally described below and provided for in detail in the Plan.

22 **1. Funding Amount and Timing.**

23 Based upon Debtor's analysis and projections for the development of the
24 Property, the Plan requires commitments for \$20 million in additional funds to be
25

1 contributed from third party loans and additional capital contributions from
2 Participating Investors and holders of Interests. The Plan provides that these funds
3 would be payable as follows: \$3 million on or before the commencement of the
4 Confirmation hearing; \$4 million on the Effective Date of the Plan; \$5 million on the
5 first anniversary of the Effective Date; \$5 million on the second anniversary of the
6 Effective Date; \$3 million on the third anniversary of the Effective Date. The Plan
7 contemplates that at least \$5 million of the aggregate funding would come from third
8 party loans and that the balance of \$15 million would be contributed by Participating
9 Investors and holders of Interests who elect to participate.

10 Interests in the Reorganized Debtor would be allocated *pro rata* among
11 Participating Investors and participating holders of Interests based upon their
12 respective new money contributions. Should equity interests be oversubscribed,
13 equity interests would be allocated on the percentages provided in Exhibit B to the
14 Plan. Any unexercised right to participate in equity funding would be allocated first
15 among others in the same Class and then to others based upon their initial capital
16 commitment.

17 **D. VOTING ON PLAN AND MAKING ELECTIONS.**

18 Only holders of impaired Claims or Interests are entitled to vote on the Plan. A
19 holder of a Claim or Interest entitled to vote may do so by completing and delivering
20 the accompanying ballot form in the manner and within the time specified in the
21 accompanying notice. If you are the holder of a Claim or Interest entitled to vote, **your**
22 **vote on the Plan is important.**

23 The Plan also provides that holders of Interests and holders of Investor Claims
24 may elect the treatment of their Interest or Claim. The deadline for making these
25

1 elections is set for September 1, 2012 or such other date as may be subsequently
2 designated. **Your election is important and will affect your rights if the Plan is**
3 **approved.**

4 **E. CONTENT AND USE OF DISCLOSURE STATEMENT.**

5 This Disclosure Statement is designed to afford creditors and holders of equity
6 interests with adequate information to make an informed judgment about the Plan.
7 Creditors and Interest holders are urged to read the Plan in its entirety. In the event of
8 a conflict between the Plan and the Disclosure Statement, the terms of the Plan and
9 the Order of the Bankruptcy Court confirming the Plan shall control.

10 **1. Outline of Disclosure Statement.**

11 Section II of the Disclosure Statement provides historical information regarding
12 Debtor's organization, business, assets and liabilities, and the circumstances
13 surrounding the filing of these bankruptcy proceedings. Section III summarizes
14 developments during the course of the Chapter 11 case. Section IV summarizes the
15 provisions of the Plan, including the classification and treatment of Claims and
16 Interests. Section V contains financial information regarding Debtor and describes
17 projections of distributions under the Plan based upon the assumptions identified in
18 the projections. Section VI identifies the current and intended future management of
19 Debtor. Section VII discusses the legal requirements for approval and confirmation of
20 the Plan. Section VIII discusses tax consequences of the Plan. Section IX discusses
21 certain claims bar dates and Effective Date issues raised by the Plan. Section X
22 discusses possible alternatives to the Plan. Section XI contains Debtor's
23 recommendation with respect to the Plan.

1 **2. Defined Terms.**

2 Most words or phrases used in this Disclosure Statement have their usual and
3 customary meanings. Words or phrases with initial capital letters have the definitions
4 set forth in the Plan or in the Bankruptcy Code.

5 **3. Other Plan Provisions.**

6 The Plan also contains various provisions relating to the determination of
7 certain issues germane to Confirmation of the Plan, including interest rates and the
8 amounts of Secured Claims, the procedures for the allowance and determination of
9 claims, and provisions specifying the Effective Date of the Plan. Reference is made to
10 the more detailed description following and the Plan for a description of such
11 provisions.

12 **F. MATTERS MERITING SPECIAL ATTENTION.**

13 Creditors and other interested parties are urged to read the entire Disclosure
14 Statement and the Plan. The following matters are considered of special importance:

15 **DEADLINE FOR SUBMITTING BALLOTS**

16 **EXECUTED BALLOTS MUST BE RECEIVED NO LATER THAN 5:00**
17 **P.M., MOUNTAIN STANDARD TIME ON THE DUE DATE SET BY THE**
18 **COURT. SINCE MAIL DELAYS MAY OCCUR, BALLOTS SHOULD BE**
19 **MAILED OR DELIVERED WELL IN ADVANCE OF THE SPECIFIED**
20 **DATE. ANY BALLOTS RECEIVED AFTER THE DUE DATE MAY NOT**
21 **BE INCLUDED IN ANY CALCULATION TO DETERMINE WHETHER**
22 **THE CREDITORS HAVE VOTED TO ACCEPT OR REJECT THE PLAN.**

21 **IMPORTANCE OF VOTE**

22 **YOUR VOTE IS IMPORTANT AND MAY DETERMINE WHETHER THE**
23 **PLAN IS CONFIRMED. YOU ARE URGED TO STUDY THE PLAN**
24 **CAREFULLY AND TO CONSULT WITH YOUR COUNSEL ABOUT ITS**
25 **IMPACT UPON YOUR LEGAL RIGHTS BEFORE VOTING.**

24 **IMPORTANCE OF ELECTIONS**

1 IF YOU ARE THE HOLDER OF AN INVESTOR CLAIM OR AN
2 INTEREST IN DEBTOR, THE PLAN PROVIDES FOR YOUR ELECTION
3 OF THE TREATMENT OF SUCH CLAIM OR INTEREST. YOU ARE
4 URGED TO STUDY THE PLAN CAREFULLY AND TO CONSULT WITH
YOUR COUNSEL ABOUT ITS IMPACT UPON YOUR LEGAL RIGHTS
BEFORE VOTING.

5 **HEARING ON CONFIRMATION OF PLAN**

6 THE BANKRUPTCY COURT WILL HOLD A HEARING ON
7 CONFIRMATION OF THE PLAN COMMENCING AT THE TIME AND
8 PLACE STATED IN THE ACCOMPANYING ORDER AND NOTICE.
9 THE HEARING MAY BE CONTINUED FROM TIME TO TIME
THEREAFTER WITHOUT FURTHER NOTICE EXCEPT AS GIVEN IN
OPEN COURT. THE PLAN SHALL NOT BE EFFECTIVE UNLESS THE
COURT ENTERS AN ORDER CONFIRMING THE PLAN.

10 **NO OTHER REPRESENTATIONS AUTHORIZED**

11 NO REPRESENTATIONS CONCERNING DEBTOR OR THE PLAN
12 ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS
13 DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY
14 ADDITIONAL REPRESENTATIONS OR INDUCEMENTS TO SECURE
YOUR VOTE ON THE PLAN.

15 **ABSENCE OF AUDITED FINANCIAL INFORMATION**

16 THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT
17 BEEN SUBJECTED TO A CERTIFIED AUDIT. SUCH INFORMATION
18 AND OTHER STATEMENTS ARE BASED UPON DEBTOR'S BOOKS
19 AND RECORDS AND THE ESTIMATES AND ASSUMPTIONS
20 STATED. ALL INFORMATION IS ACCURATE TO THE BEST
KNOWLEDGE, INFORMATION AND BELIEF OF DEBTOR,
ALTHOUGH DEBTOR IS UNABLE TO WARRANT THAT NO
INACCURACIES EXIST.

21 **NO OBLIGATION TO SUPPLEMENT**

22 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT
23 ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS
24 SPECIFIED HEREIN. NEITHER DELIVERY OF THIS DISCLOSURE
25 STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN
CONNECTION WITH THE PLAN SHALL UNDER ANY
CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS

1 BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN
2 SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE
3 MATERIAL RELIED UPON IN PREPARATION OF THIS DISCLOSURE
4 STATEMENT WERE COMPILED. DEBTOR ASSUMES NO DUTY TO
5 UPDATE OR SUPPLEMENT THE DISCLOSURES CONTAINED
6 HEREIN AND DO NOT INTEND TO UPDATE OR SUPPLEMENT THE
7 DISCLOSURES.

8 **NO INDEPENDENT VERIFICATION BY COURT OR**
9 **SECURITIES AND EXCHANGE COMMISSION**

10 THE COURT HAS NOT VERIFIED THE ACCURACY OF THE
11 INFORMATION, AND THE COURT'S APPROVAL OF THIS
12 DISCLOSURE STATEMENT MEANS ONLY THAT, IF THE
13 INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN
14 ADEQUATE BASIS FOR CREDITORS AND INTEREST HOLDERS TO
15 MAKE INFORMED DECISIONS WHETHER TO ACCEPT OR REJECT
16 THE PLAN. THIS DISCLOSURE STATEMENT HAS NOT BEEN
17 APPROVED OR DISAPPROVED BY THE SECURITIES AND
18 EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED
19 ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN IT.

20 **II. STRUCTURE, ASSETS AND LIABILITIES.**

21 **A. FORMATION AND EQUITY OWNERSHIP.**

22 Debtor is a limited liability company organized under the laws of Arizona,
23 formed on July 14, 2004. Its members are as follows: Cavan Management Services,
24 LLC ("**CMS**") as member and manager, and Tri-City Investment & Development, LLC
25 ("**Tri-City**"); Granite Dells Equity Group, LLC ("**GDEG**") and Granite Dells Investors,
26 LLC ("**GDI**"), as additional members. In September of 2009, CMS assigned its profit
27 distribution and liquidation rights in the Debtor to Cavan Management Company, LLC
28 ("**CMC**") and Debtor subsequently amended its Articles of Organization to reflect
29 CMC's interest in the profits of the Debtor. CMS remains the manager and a member
30 of Debtor. Debtor has granted conversion rights to certain holders of promissory
31 notes issued by Debtor to Persons interested in investing in Debtor's business. The

1 holders of these conversion rights, if exercised, would be entitled to convert their
2 notes to equity interests through GDI and the resulting dilution of equity interests
3 would be divided among CMS and Tri-City. As a result, current equity interests and
4 fully diluted interests (assuming 100% exercise of conversion rights) are as follows:

MEMBERS OF DEBTOR		
Member	Current %¹	Diluted %
CMS	39.25%	31.50%
Tri-City	39.25%	31.50%
GDEG	6.00%	6.00%
GDI	15.50%	31.00%
Total	100.00%	100.00%

10 Tri-City is a limited liability company organized under the laws of Arizona,
11 formed on September 12, 2001. In 2004, Tri-City entered into an agreement with the
12 Original Owners to acquire the Property. Shortly thereafter, Tri-City was unable to
13 make the payments provided for in the agreement or otherwise comply with the
14 agreement and sought the assistance and participation of CMS to provide funding and
15 other assistance in connection with the acquisition of the Property. CMS and its
16 affiliates provided funds and expertise and, in 2005, the Tri-City operating agreement
17 was modified to add Cavan Prescott Investors, LLC as a member of Tri-City. In May
18 2006, Tri-City assigned its rights under the Original Owner agreement to Debtor,
19 which completed and closed the purchase of the Property in exchange for its equity
20 interest in the Debtor. GDEG and GDI received equity interests in Debtor in exchange
21 for funds provided to fund the acquisition of the Property. The members agreed that
22

24 _____
25 ¹ The current percentage assumes that there will be no further GDEG or GDI contributions pursuant to section
2.2 of the Operating Agreement of Granite Dells Ranch Holdings, LLC.

1 the equity share of CMS and Tri-City would be diluted in exchange for additional
2 capital contributions to the extent made by GDI.

3 Currently, the members of Tri-City, and their respective equity interests in Tri-
4 City are as follows:

MEMBERS OF TRI CITY	
Member	Current %
RKS Inc. or Robert Stewart Swanson	11.01635%
Nancy O. Swanson Family LP	13.09350%
Michael W. Fann ²	13.26979%
Tack Family LLC(Arnold)	13.26979%
Ranchvest, LLC	8.53839%
Madison Land Company, LLC	2.8830%
Erickson Family Trust	13.26979%
Othmar Iseli	9.65909%
John F. Whitney	1%
Hays Revocable Living Trust	1.5%
Sullins Revocable Trust	1.0%
Levy Family Trust	1.0%
Cavan Prescott Investors, LLC	10.5%
Total	100.00%

17 **B. THE PROPERTY.**

18 **1. Acquisition and Description.**

19 Debtor is the owner of the Property, which is depicted on Exhibit 2. The
20 Property lies within an overall area approximately 4 miles wide by 10 miles long. The
21 Property borders the City of Prescott on the west and southwest, the Town of Prescott
22 Valley on the east and southeast, and Chino Valley on the north. The Property
23

24 _____
25 ² Fann collaterally assigned his interest in Tri-City to the Debtor to secure Promissory Note in the original principal amount of \$2,199,490. The subject Promissory Note is in default.

1 contains a variety of pristine views, including dramatic granite rock formations in the
2 "Dells", located in the southwest area of the property.

3 The Property was purchased for \$107,000,000 in May of 2006. Debtor paid
4 \$21,400,000 at closing and executed a purchase note in the amount of \$83,220,534 to
5 the Sellers: Granite Dells Ranch of Yavapai County Arizona, Inc., and Point of Rocks
6 Ranch Company, Inc. (the "Original Owners") for the balance of the purchase price
7 (the "Note"). The Note is secured by the Deed of Trust filed against the Property and a
8 Partial Collateral Assignment of License Agreement for the extraction of aggregates
9 with Hanson Aggregates of Arizona, Inc., referred to herein as the mining lease.

10 **2. Development Events.**

11 **a. The GDRH Interchange**

12 In 2007 the City of Prescott ("City") was prepared to design and construct a new
13 traffic interchange at the intersection of Highway 89A freeway and Side Road on the
14 western edge of the Property. Pursuant to an existing development agreement, the
15 City had an obligation to build the interchange to provide freeway access to a
16 development called Centerpoint East. Had the interchange been built where originally
17 planned, the Property would have had limited direct access to the interchange.

18 Through a series of meetings and negotiations with the City, the Manager of
19 Debtor convinced the City to move the interchange approximately one-half mile to the
20 east. This placed the interchange in the center of a section of the Property located a
21 short distance south and east of the Prescott Airport. As part of the negotiations,
22 Debtor agreed to donate the land that would be required for the interchange, rather
23 than paying a portion of the construction cost.

1 As a result of these efforts, Debtor was able to create significant additional
2 value on the Property consisting of the following elements:

- 3 • All four corners at the interchange lie within the Property;
- 4 • Property incurred virtually no out-of-pocket expense for an interchange
5 costing approximately \$20 million;
- 6 • An interior road connecting the interchange through the Property was
7 constructed at no cost to the Property;
- 8 • Several building pads in the vicinity of the interchange were graded at no
9 cost to the Property;
- 10 • Land surrounding the interchange was subsequently rezoned as
11 commercial property which will be very attractive to buyers because of the interchange
12 access.

13 ***b. Other Developments enhancing the Property***

14 Since 2006, the value of the Property has been enhanced by the following
15 developments:

- 16 • In 2009, an annexation, zoning and development agreement was
17 completed with the City of Prescott for a 500-acre commercial site;
- 18 • The initiation of actions to obtain final approval from the City of Prescott
19 to complete the transfer of Watson Lake surface water rights to assure
20 water rights that will service approximately 800 acres of land in the "Dells"
21 area;
- 22 • Negotiation of an option for Northern Arizona Healthcare to acquire 12
23 acres as a hospital site in the interchange area;

- 1 • Negotiations for annexation of a portion of the Property by the Town of
- 2 Prescott Valley anticipated to be complete in 2012 or 2013;
- 3 • Negotiations with the Arizona Department of Transportation to identify the
- 4 likely alignment of a limited access transportation corridor and
- 5 interchanges which will traverse the Property from the Glassford Hill area
- 6 of Prescott Valley in the south to Chino Valley in the north;
- 7 • The sale of 125 acres near Prescott Airport for use as solar farm, which
- 8 sale closed in December 2010; and
- 9 • The sale of approximately 2 acres south of the Prescott Airport in early
- 10 2011.

11 **C. DEVELOPMENT OBSTACLES.**

12 **1. General**

13 Since Debtor's acquisition of the Property, Debtor has encountered a number of

14 significant obstacles. Most importantly, Debtor has been confronted with the dramatic

15 decline in real estate values in Arizona and particularly in the Prescott area. Sales of

16 existing residential properties dropped dramatically beginning in late 2006 and have

17 only begun a modest improvement beginning in the last quarter of 2011. Residential

18 construction declined even more dramatically. Commercial development in the

19 Prescott area has similarly been affected by double digit declines in volume and

20 values.

21 The economic declines have contributed to additional obstacles, including an

22 inability to refinance the Property, to make significant commitments to development

23 expenses, and to obtain water rights and other essential entitlements.

1 In September 2011, Debtor obtained a restricted format appraisal of the
2 Property from a reputable and qualified source indicating that the market value of the
3 Property, as of August 19, 2011, was \$27,450,000. A copy of the appraisal was
4 furnished to the Original Owners and to Stuart Swanson. Debtor believes that the
5 Property is likely worth between \$27 million and \$35 million, based upon Debtor's
6 parcel-by-parcel development plan, current market conditions, and current rates of
7 return expected by property developers.

8 **2. Negotiations with Original Owners.**

9 The unexpected decline in economic conditions significantly reduced Debtor's
10 ability to raise equity or investment funds. As a result, Debtor became unable to
11 maintain the payment schedule on the carryback note. Debtor's representatives
12 discussed these difficulties directly with the representatives of the Original Owners,
13 who were also aware of the sudden change in development prospects and property
14 values. Accordingly, between 2008 and 2010, Debtor and the Original Owners
15 reached agreement on a number of extensions and modifications of the note
16 obligation.

17 **3. Three Way Negotiations in 2011.**

18 Negotiations between Debtor and the Original Owners continued in 2011 but
19 were approached by both sides differently. Instead of seeking additional extensions of
20 the existing note with accumulated interest, the parties explored the possibility of an
21 agreed reduction in the principal amount of the note to a level that more closely
22 matched the current market value of the Property. Both parties explored this
23 approach with the belief that a very substantial reduction in the amount of the note
24

1 would enable Debtor to obtain financing sources to finance the purchase of the note
2 from the Original Owners and restructure Debtor's obligations thereunder.

3 In April 2011 Debtor was approached by Stuart Swanson, a principal member of
4 Tri-City. Initially, Mr. Swanson's approach (anonymously presented) proposed his
5 purchase of a major portion of the Property. Mr. Swanson's proposal metamorphosed
6 into Swanson's offer to participate in the purchase of the note and a restructuring of
7 Debtor's obligations thereunder.

8 As the discussions with Mr. Swanson continued in September and October,
9 Debtor was continuing its negotiations with the Original Owners. The negotiations
10 with the Original Owners led to an exchange of proposals requiring the reduction of
11 the note balance to between \$30 to \$35 million and an immediate sale or payment of
12 the restructured note.

13 At the end of November 2011, Mr. Swanson insisted on meeting directly with
14 the Original Owners. At about the same time, Mr. Swanson withdrew from further
15 negotiations of his participation with Debtor in the note restructure. Instead, in
16 December 2011, Mr. Swanson met with the Original Owners and proposed to
17 purchase the note himself. Mr. Swanson eventually completed the purchase in
18 January 2012 and immediately commenced foreclosure proceedings.

19 **D. REASONS FOR FILING CHAPTER 11**

20 Debtor was notified by AED (as successor to Mr. Swanson in the
21 purchase of the note) in January 2012 that AED had initiated action to foreclose on
22 the Property by trustee sale under the Deed of Trust. Shortly thereafter, AED
23 commenced receivership proceedings against Debtor.
24

1 These sudden events and the long term issue of restructuring the seller
2 carryback note caused Debtor to commence these chapter 11 proceedings.

3 **III. POST PETITION OPERATIONS AND DEVELOPMENTS.**

4 **A. DEVELOPMENTS IN THE CHAPTER 11 CASES.**

5 This Article III provides a summary of material developments during the course
6 of the bankruptcy proceedings. Interested parties may obtain additional information
7 regarding matters before the Bankruptcy Court by examination of the pleadings,
8 orders and notices listed on the docket sheets available for internet review through the
9 website for the Bankruptcy Court for the District of Arizona, at
10 <http://www.azb.uscourts.gov>. A separate docket sheet is maintained for activities and
11 pleadings in the case under the name and docket number for the Chapter 11 Case, *In*
12 *re Granite Dells Ranch LLC*, Case No. 2-12-04962-RTBP.³

13 **1. Bankruptcy Filings and Continuation of Operations.**

14 Debtor filed a voluntary Chapter 11 case on March 13, 2012 (the "**Petition**
15 **Date**"). Debtor has continued to operate its business as the Debtor In Possession, as
16 provided in §§ 1107(a) and 1108 of the Bankruptcy Code. Debtor has continued to be
17 managed by its manager and respective members in accordance with its
18 organizational documents and applicable state law, subject to the provisions of the
19 Bankruptcy Code and orders of the Bankruptcy Court.

20 **2. Schedules, Statement of Affairs.**

21 Debtor filed the required schedules and statements of affairs on April 5, 2012
22 (Dkt # 48).

23
24 _____
25 ³ References to the Docket Sheet are designated (Dkt # NNNN), corresponding to the docket number assigned
by the Clerk of the Bankruptcy Court.

1 **3. Use of Cash Collateral.**

2 On or about May 17, 2012, Debtor filed a Motion for Interim and Final Orders
3 Authorizing Use of Cash Collateral (Dkt #114) seeking court approval to use certain
4 revenues and proceeds to pay necessary expenses related to the Property. On May
5 22 and 23, 2012, AED filed "responses" to this motion and a hearing was conducted
6 by the Bankruptcy Court on May 23, 2012. On or about May 29, 2012, Debtor and
7 AED agreed to Debtor's use of collateral and the Court entered a Stipulated Order
8 Authorizing Use of Cash Collateral (Dkt # 131). The stipulated order authorized
9 Debtor to pay electric utility fees and deposits, monthly insurance premiums and fence
10 repair costs and miscellaneous expenses through July 31, 2012. The stipulated order
11 also authorized Debtor to pay the sum of \$3,200 to the Arizona State Land
12 Department relative to Debtor's ground lease.

13 **4. Estate Professionals.**

14 During the course of these proceedings, Debtor has employed attorneys,
15 accountants and other professionals to assist in the management of these bankruptcy
16 proceedings and to provide other professional services. Sections 327 and 328 of the
17 Bankruptcy Code authorize Debtor, as representative of the bankruptcy estate, to
18 employ attorneys, accountants and other professionals, subject to various restrictions.
19 In most instances, Debtor may employ professionals, and agree to the terms of
20 compensation, only with approval of the Bankruptcy Court. Professionals must
21 generally be disinterested persons and must seek approval of their compensation
22 through applications after notice and hearing. Professionals employed by Debtor-in-
23 Possession provide their services to the bankruptcy estate. Debtor has been
24 authorized by the Court to employ certain "ordinary course" professionals and have

1 also requested, and received, court approval for the employment of the following
2 professionals:

3 On March 14, 2012, Debtor filed its application to approve the employment of
4 **Stinson Morrison Hecker, L.L.P.**, as bankruptcy counsel (Dkt # 5). On March 15,
5 2012, AED filed its "response" to the application (Dkt # 9). Thereafter, on April 24,
6 2012, the Bankruptcy Court approved of the application effective March 13, 2012 (Dkt
7 # 81).

8 On April 24, 2012, Debtor filed its application to employ **Gregory W. Huber,**
9 **P.C.**, as special real estate counsel (Dkt #80). On April 26, 2012, the Bankruptcy
10 Court approved of the application effective March 13, 2012 (Dkt # 93).

11 **5. On April 25, 2012, Debtor filed its application to employ Cohen**
12 **Kennedy Dowd & Quigley as special litigation counsel to**
13 **evaluate and prosecute a lawsuit against AED and others (Dkt**
14 **#85). On May 2, 2012, the Bankruptcy Court approved of this**
15 **application (Dkt #99). AED Motions for Relief from Stay and to**
16 **Dismiss Case.**

17 On March 16, 2012, AED filed a Motion For Relief From Stay (Dkt #11). This
18 stay relief motion argued, among other things, that Debtor did not have proper
19 authorization to file its bankruptcy petition and that the bankruptcy petition was filed in
20 bad faith. On March, 30, 2012, Debtor filed its objection to AED's first stay relief
21 motion denying the bad faith allegations of AED (Dkt # 35). The parties have
22 conducted extensive discovery and filed a Joint Pre-Trial Statement on May 25, 2012
23 (Dkt # 129). An evidentiary hearing on this matter is scheduled for August 28, 2012 at
24 9:00 a.m.

1 On June 13, 2012, AED filed a second Motion For Relief From Stay (Dkt # 143).
2 The second stay relief motion alleges that Debtor does not have a reasonable
3 possibility of confirming a plan of reorganization within a reasonable time. Debtor
4 disputes these allegations. On June 27, 2012, Debtor filed its objection to AED's
5 second stay relief motion disputing AED's allegations (Dkt # 166). A hearing on this
6 matter is scheduled to coincide with the hearing on AED's first stay relief motion on
7 August 28, 2012 at 9:00 a.m..

8 On June 27, 2012, AED filed its Motion to Dismiss Case (DKT# 167). This
9 motion reiterated AED's argument in its first stay relief motion that Debtor did not have
10 proper authorization to file its bankruptcy petition and argued, among other things, that
11 CMS the Debtor's Manager, is incapable of managing the Debtor. On July 20, 2012,
12 Debtor filed its response to AED's motion to dismiss disputing AED's allegations (Dkt
13 # 187). A hearing on this matter is scheduled to coincide with the hearing on AED's
14 first stay relief motion on August 28, 2012 at 9:00 a.m.

15 **6. Plans of Reorganization.**

16 Debtor filed its initial plan of reorganization on June 11, 2012 (Dkt # 139) and its
17 proposed disclosure statement to accompany its June 11, 2012 plan on June 18,
18 2012. AED filed the only objection to Debtor's proposed disclosure statement on July
19 20, 2012 (Dkt # 191). At the initial hearing on the adequacy of Debtor's disclosure
20 statement held on July 27, Debtor agreed to update and supplement various
21 disclosures as incorporated in this document. Also at the July 27 hearing Debtor
22 agreed to terminate Debtor's exclusive right to propose a plan pursuant to § 1121 of
23 the Bankruptcy Code. Debtor's termination of exclusivity allows any party to propose
24

1 a plan of reorganization in this case. Tri-City filed its competing plan of reorganization
2 (DKT# 220) and accompanying disclosure statement (DKT# 221) on August 3, 2012.

3 **7. Motions for Sale of Parcels.**

4 On March 27, 2012, Debtor filed a Motion to Assume Purchase Contract and to
5 Sell Unimproved Real Property (Dkt #29). Pursuant to the motion, Debtor sought
6 Bankruptcy Court approval to sell a portion of the Property consisting of 1 acre lot to
7 Rocco J. Anecchini, Jr, and Shirley M. Anecchini for the purchase price of
8 \$55,484.00. On May 11, 2012, AED filed its "response" to the sale motion (Dkt #107).
9 The Bankruptcy Court conducted a hearing on the sale motion on May 18, 2012 and,
10 on June 13, 2012, entered an order approving of the sale (Dkt # 142).

11 Debtor and EBn, LLC, a Nevada limited liability company have entered into an
12 agreement for EBn, LLC to purchase approximately 1247 gross acres located in the area
13 of Prescott Valley, Arizona, further identified as tax parcel numbers 103-04-008A, 103-04-
14 008, 103-01-011D and 103-01-011G for the purchase price of \$12,000,000.00. The
15 transaction is contingent upon the approval of the Bankruptcy Court and subject to higher and
16 better offers pursuant to § 363 of the Bankruptcy Code. The Debtor intends to file a motion
17 for approval of the sale shortly.

18 **8. Motion to Assume Leases**

19 On June 12, 2012, Debtor filed a motion to assume three leases related to the
20 Property in which the Debtor is the lessor, namely: a lease with the Arizona State
21 Land Department to allow grazing adjacent to the Property; a grazing lease with Major
22 Cattle Company, L.L.C. for grazing of cattle on Debtor's Property and the Arizona
23 State Land property; and a license agreement "mining lease" with Hanson
24 Aggregates, L.L.C. In 2011, the grazing lease produced total revenue to the Debtor in
25

1 the amount of \$63,763 and the mining lease produced approximately \$1,353,641 in
2 total revenue for the benefit of the Debtor. The Bankruptcy Court granted this motion
3 at its hearing on July 27, 2012 (Dck # 213).

4 **9. Possible Mediation Process.**

5 During the hearing on July 27, the Bankruptcy Court instructed Debtor, Tri-City
6 and AED to advise the Court whether mediation among these parties should be
7 ordered. Debtor intends to advise the Court that mediation should be ordered and
8 that, pending a brief period for such mediation, other activity in the case should be
9 restricted.

10 **10. AED Action Against CMS.**

11 On or about July 10, 2012, AED acquired the Claim against Debtor held
12 previously by Spruce Avenue Limited Partnership in the asserted amount of \$241,000.
13 Debtor has been informed that AED acquired such claim for \$40,000 in cash, without
14 recourse or warranty. The assignment of claim included rights asserted against CMS
15 as guarantor of the claim.

16 On or about July 25, 2012, AED commenced proceedings in an Arizona state
17 court seeking the appointment of a receiver of CMS, purportedly to enforce the
18 acquired claim. On August 2, 2012, CMS removed the proceedings to the Bankruptcy
19 Court.

20 Debtor believes that AED has acquired the claim and commenced the action to
21 interfere with CMS' management of Debtor and/or to create legal uncertainty as to
22 who is entitled to manage Debtor and direct these Chapter 11 proceedings.
23 Accordingly, Debtor intends to request the Bankruptcy Court to enjoin these
24 "enforcement" proceedings.

1 **IV. DESCRIPTION OF THE PLAN.**

2 The following section of the Disclosure Statement contains a description of
3 certain pertinent provisions of the Plan of Reorganization. The Plan itself is attached
4 hereto as Exhibit 1. Creditors and other parties in interest are encouraged to read the
5 Plan in its entirety. In case of a conflict between the description in this summary and
6 the terms of the Plan, the terms of the Plan control the interpretation of the Plan.

7 **A. GENERAL SUMMARY.**

8 The Plan provides for the continuation of the management and development of
9 the Property by Debtor under restructured debt terms and with additional equity being
10 contributed by Participating Investors and Equity Holders choosing to participate in the
11 funding of the Reorganized Debtor. Priority Claims will be paid in full on the Effective
12 Date or in installments over specified periods. Secured Claims will be paid in full in
13 accordance with the provisions of §1129(b)(2)(A) of the Bankruptcy Code, in
14 installments over time and as parcels of the Property are sold. Holders of Unsecured
15 Claims will receive installments payments over eight (8) years from the Unsecured
16 Creditor Fund, to be funded by Debtor in the aggregate amount of \$5 million. Holders
17 of Investor Claims and holders of equity interest will be provided an election to
18 participate in the funding of approximately \$20 million over three years, to cover
19 payments to creditors and other anticipated costs of development of the Property.
20 The Interests of Equity Holders who do not choose to participate in the funding of the
21 Reorganized Debtor will be cancelled and such Equity Holders will receive nothing on
22 account of their Interests.

1 The amount to be paid to the holder of the AED Claims will be determined on
2 the basis of several key determinations, to be made by the Bankruptcy Court or to be
3 resolved by settlement subject to Bankruptcy Court approval:

4 The amount of the AED Claim is subject to Bankruptcy Court determination,
5 which may limit the amount of the Allowed Claim to the amount paid by AED to
6 acquire the Claim from the Original Owners, which Debtor believes to be
7 approximately \$28 million. Alternatively, the Claim may be Allowed in the full amount
8 of the Claim, with interest, fees and charges, in an amount asserted by AED to equal
9 or exceed \$130 million.

10 The amount of the Allowed AED Claim that is treated as an Allowed Secured
11 Claim is also subject to the determination of the Bankruptcy Court of the value of the
12 collateral for such Claim (referred to in the Plan and herein as the "**Creditor Value**").
13 The amount of the Secured Claim will be limited to the lesser of the Allowed Amount
14 of the AED Claim (as described in the preceding paragraph) or the Creditor Value.
15 Debtor estimates that the value of the collateral and, thus, the Creditor Value, could
16 be determined by the Court based upon evidence presented and could range from
17 \$25 million to \$35 million.

18 If the holder of the AED Claim elects treatment under §1111(b), the Claim would
19 become a non-recourse Claim in the full amount of the AED Claim and the holder
20 thereof would be entitled to receive installment payments over a specified period
21 aggregating the amount of the AED Secured Claim. Additionally, the holder of the
22 AED Claim would be entitled to require that the present value of these installment
23 payments equal at least the Creditor Value.

1 The determination of the Creditor Value depends, in part, upon the
2 determination by the Bankruptcy Court of a rate of interest that would assure that the
3 value of installment payments has the required present value. Debtor believes that an
4 interest rate of five percent (5%) would be appropriate but the holder of the AED
5 Secured Claim would be entitled to introduce evidence to support a different rate.

6 The Plan provides that the treatment of the AED Secured Claim shall comply
7 with the provisions of §1129(b)(2)(A) of the Bankruptcy Code in all possible
8 resolutions of these issues. If the Bankruptcy Court determines that the AED Claim
9 should be limited to the amount paid to acquire the Claim (estimated to be \$28
10 million), the Plan provides that the holder of the Claim will receive quarterly payments
11 and partial release payments over eight (8) years equal to the amount of such Claim
12 plus interest at the Secured Claim Rate. If the Bankruptcy Court determines that the
13 AED Secured Claim is equal to the Creditor Value, the Plan provides that the quarterly
14 payments and partial release payments will be adjusted to insure that the amount of
15 the Secured Claim is paid with interest at the Secured Claim Rate. In this event, the
16 balance of the Allowed AED Claim would be treated as an Unsecured Claim and the
17 holder would be entitled to pro rata distributions from the Unsecured Creditor Fund. If
18 the Bankruptcy Court determines that the holder of the AED Secured Claim is entitled
19 to and has made the §1111(b) Claim and that the AED Secured Claim should be
20 Allowed in the amount asserted by AED, the Plan provides that the holder of such
21 Claim would receive quarterly payments and partial release payments over twelve
22 (12) years or less that have a present value equal to the Creditor Value of the AED
23 Claim plus interest at the Secured Claim Rate. Thereafter, the holder of the AED
24 Claim would continue to receive quarterly payments and partial release payments that
25

1 will result in total payments equal to the Allowed AED Claim over a period of twenty-
2 five) years. In such event, the holder of the AED Claim would not have an Allowed
3 Unsecured Claim and the Unsecured Creditor Fund would be prorated among other
4 holders of Unsecured Claims.

5 Equity Interests in the Reorganized Debtor shall be allocated among
6 Participating Investors and holders of existing equity interests solely on the basis of
7 their respective participation in the funding of the Reorganized Debtor. Persons
8 electing to participate in such funding will be required to fund their respective shares in
9 five installments, commencing on the date the Confirmation Hearing commences, then
10 on the Effective Date, and then on the first, second and third anniversaries of the
11 Effective Date.

12 **B. TREATMENT OF CLAIMS AND INTERESTS.**

13 The Plan specifies the treatment of all claims against, and interests in,
14 Proponents whether such claims are liquidated or unliquidated, fixed or contingent,
15 disputed or acknowledged, and whether such claims or interests are the subject of
16 proofs of claim or interest. The following sections describe the categorization of these
17 claims and interests and specify their respective treatments.

18 **1. Unclassified Priority Claims.**

19 Section 1123(a)(1) designates certain types of Claims that are not subject to
20 classification. In Chapter 11 cases, § 1129(a)(9) of the Bankruptcy Code specifies the
21 permissible plan treatment of these unclassified claims. The Plan complies with the
22 provisions of this section by providing for the following treatment of unclassified
23 claims:
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a. Administrative Claims.

Administrative Claims, as defined in § 503 of the Code and in the Plan, consist of the actual, necessary costs and expenses of preserving the Estate, including taxes incurred, salaries or commissions for services rendered after the commencement of the case, fees of professionals employed by Debtor, and fees and charges assessed against the Estate under Chapter 123 of Title 28 of the United States Code. For purposes of the Plan, Cure Payments payable under leases and executory contracts assumed under the Plan are also treated as Administrative Claims.

Under § 1129(a)(9)(A), Administrative Claims must be paid in full on the Effective Date in order for a plan to be confirmed. The Plan complies with this requirement by providing Administrative Claims will be paid in full on the Effective Date of the Plan, or upon allowance, or when due, except to the extent the holder agrees to a less favorable treatment. Fees and expense payable to professionals under §§ 330, 331, or 503(b)(4) of the Bankruptcy Code shall be paid only pursuant to Court authorization.

The Plan provides that Cure Payments (payments to cure defaults under assumed leases and executory contracts) will be paid on the Effective Date, or when determined, or within a reasonable period of time.

The Plan provides that, except as otherwise ordered by the Bankruptcy Court or as agreed with the Person entitled, Cure Payments on account of defaults under assumed leases of non-residential real property will be paid in six monthly installments beginning a month after the Effective Date.

1 Debtor estimates that Professional Fee Claims will approximate \$450,000 on
2 the Effective Date and that other Administrative Claims, including any Cure Payments,
3 shall not exceed \$100,000.

4 In accordance with § 1123(a)(1), Administrative Claims are not designated as a
5 class, their required treatment under the Plan is governed by § 1129(a)(9)(A), and
6 holders of such Claims are not entitled to vote on the Plan.

7 **b. Priority Tax Claims.**

8 Tax Claims consist of unsecured Claims of governmental units entitled to
9 priority treatment under § 507(a)(8). Under § 1129(a)(9)(C), priority tax claims are
10 required to be paid in full on the Effective Date or within five years after the filing of the
11 bankruptcy petitions. The Plan complies with this provision by providing for payment
12 of Priority Tax Claims for property taxes in equal quarterly installments commencing
13 three months after the Effective Date and continuing thereafter for a period ending on
14 the fifth anniversary of the Petition Date. The Plan provides that such installments
15 shall include payment of interest at the rate specified by statute, which generally is
16 sixteen percent (16%) per annum. Debtor estimates that the only Tax Claims against
17 Debtor are Secured Tax Claims and that no Priority Tax Claims will be Allowed.

18 In accordance with § 1123(a)(1), Priority Tax Claims are not designated as a
19 class, their required treatment under the Plan is governed by § 1129(a)(9)(C), and
20 holders of such Claims are not entitled to vote on the Plan.

21 Debtor believes that Priority Tax Claims and Secured Tax Claims have been
22 paid during the course of these proceedings except as noted in the summary of
23 Claims for each Debtor Group previously provided.

1 Debtor does not anticipate that they will request re-characterization of any of
2 "equipment leases," which will be assumed or rejected on or before the Effective Date.
3 Nevertheless, the Plan provides that, if any such leases are re-characterized, the
4 holders of such claims will receive payment in the amount of the Allowed Secured
5 Claim, with interest at a rate determined in accordance with the Plan, in monthly
6 installments over the balance of the lease term.

7 The Class 2.01 Claims are impaired.

8 **b. Class 2.02. Deposit Secured Claims.**

9 The Plan classifies claims secured by deposits furnished to the holder thereof
10 as Class 2.02 Claims. The Plan provides that the holders of such claims will be
11 entitled, on the Effective Date, to apply the deposits in full payment of the secured
12 portion of their claims. In the event that the total claim exceeds the amount of the
13 deposit, the balance of the claim shall be treated as a Class 3.04 Claim. Debtor
14 believes that there are no Deposit Secured Claims.

15 If any Class 2.02 Claims exist, such Claims are impaired.

16 **c. Class 2.03. Secured Tax Claims.**

17 The Plan classifies claims of governmental authorities for taxes that are secured
18 by liens imposed as a matter of law as Class 2.03 Claims. The Plan provides that
19 these claims will be treated in the same manner as Tax Claims, except that the holder
20 will retain a lien on any collateral to secure payment of the amounts provided for in the
21 Plan. Debtor estimates that pre-petition property taxes on the Property are less than
22 \$30,000. Based upon this estimate, the holders of these Claims would receive
23 quarterly payments of \$2,575 commencing on the Payment Commencement Date and
24 continuing until the fifth (5th) anniversary of the Petition Date.

1 The Class 2.03 Claims are impaired

2 **d. Class 2.04. AED Secured Claim.**

3 Debtor anticipates that the holder of the AED Claim, Debtor and other parties to
4 this case will actively seek to resolve disputes about the amount of the AED Claim.
5 These efforts are expected to include negotiations regarding the transfer of portions of
6 the Property to AED, or Persons designated by AED, in satisfaction or partial
7 satisfaction of an agreed upon Secured Claim for AED. These negotiations are also
8 expected to include terms and provisions regarding the management of the
9 Reorganized Debtor and the development of the Property. If these efforts to resolve
10 disputes are successful (in whole or in part) and such resolutions are approved by the
11 Bankruptcy Court, the provisions of the Plan, particularly those relating to the
12 treatment of the AED Claim, shall be subject to substantial changes.

13 If Debtor is unable to reach agreement with AED or if an agreement is not
14 approved by the Bankruptcy Court, the Plan provides for determination and treatment
15 of the AED Secured Claim on terms consistent with the provisions of §1129(b)(2)(A) of
16 the Bankruptcy Code, as follows:

- 17 • The Bankruptcy Court shall determine the Allowed Amount of the AED
18 Secured Claim, the Creditor Value of the collateral for the Claim, and the
19 Secured Claim Rate for the Allowed AED Secured Claim. To the extent
20 necessary, the Bankruptcy Court may determine the method of
21 calculating Partial Release Payments.
- 22 • Based upon these determinations, the Reorganized Debtor will be
23 required to make minimum quarterly payments to the holder of the
24 Allowed AED Secured Claim commencing on the Payment

1 Commencement Date and continuing for up to eight (8) years or twenty-
2 five (25) years depending on whether the election under § 1111(b) is
3 applicable.

- 4 • Also based on the above-determinations, the Reorganized Debtor will be
5 required to make Partial Release Payments upon the sale of any portion
6 of the Property. The amount per acre required to be paid on a sale will
7 be determined based upon the percentage of the Creditor Value
8 represented by the parcel to be sold, multiplied by 125%. Upon payment
9 of the required amount, the lien for the holder of the AED Secured Claim
10 shall be released as to the property to be sold.
- 11 • The minimum quarterly payments and the partial release payments will
12 be adjusted so that, with each payment, the amount of the payment is
13 adjusted so that the aggregate amount paid through such payment will
14 equal the greater of the cumulative minimum quarterly payment or the
15 cumulative partial release payment.
- 16 • Payments will continue until the earliest to occur of (i) the payment in full
17 of the Allowed Secured Claim; (ii) the eighth (8th) anniversary of the
18 Effective Date, if the §1111(b) election is not applicable, or (iii) the twenty-
19 fifth (25th) anniversary of the Effective Date.
- 20 • The holder of the Claim will retain its security interest in existing
21 collateral.

22 As mentioned above in section III.A.7, Debtor has entered into an agreement to
23 sell approximately 1200 acres of the Property for \$12 million, subject to the approval
24 of the Bankruptcy Court. The Plan provides that, if such sale is approved for cash, \$5
25

1 million of the proceeds of such sale shall be paid on account of the AED Secured
2 Claim and treated as a Partial Release Payment under the Plan. The Plan also
3 provides that if the sale is made and AED exercises any right it may have to credit bid,
4 the credit bid shall be applied as a Partial Release Payment.

5 As mentioned in section III.A.9, the Bankruptcy Court has asked certain parties
6 whether mediation should be ordered in these proceedings. Debtor intends to
7 recommend mediation to the Bankruptcy Court so that Debtor, AED and Tri-City may
8 seek an overall settlement. Such settlement would likely be based upon a division of
9 the Property among these three parties, as provided for in the Tri-City plan. In
10 contemplation of such a settlement structure, the Plan provides that, with the consent
11 of the holder of the AED Secured Claim, certain portions of the Property would be
12 transferred to such holder in satisfaction of all claims it may have against Debtor

13 The AED Secured Claim is impaired.

14 **e. Class 2.05. Sonoran Pacific Secured Claim.**

15 The Plan separately classifies the secured claim of Sonoran Pacific Resources,
16 LLP. The Plan provides that the holder of the Sonoran Pacific Secured Claim shall
17 receive, on account of such Claim, equal quarterly cash payments over a period
18 commencing on the Payment Commencement Date and ending on the third (3rd)
19 anniversary of the Effective Date. The aggregate of all payments shall equal the
20 Allowed Amount of such Claim plus interest at the Secured Claim Rate. The holder of
21 the Sonoran Pacific Secured Claim shall retain its lien on the collateral to secure
22 payment of the amounts provided.

23 The Class 2.05 Sonoran Pacific Claim is impaired.

1 **4. Unsecured, Non-Priority Claims.**

2 The Plan designates four categories of unsecured claims not entitled to priority
3 (Inter-company Claims, Investor Claims, the AED Unsecured Claim, and General
4 Claims) and establishes their treatment.

5 **a. Class 3.01 -- Inter-Company Claims.**

6 The Plan provides that Inter-Company Claims (claims held by certain Affiliates
7 of Debtor) shall be classified as in Class 3.01 and paid in full, only after, and if, all
8 other unsecured, non-priority Claims are paid the full amount provided herein.

9 Inter-Company Claims are impaired.

10 **b. Class 3.02 -- Investor Claims.**

11 The Plan provides that Investor Claims (Claims held by Persons who received
12 promissory notes from Debtor as investments in Debtor's business) shall be paid a *pro*
13 *rata* portion of the Unsecured Creditor Fund on a quarterly basis for eight (8) years
14 commencing on the Payment Commencement Date.

15 The Plan also provides that each holder of an Investor Claim may elect to
16 participate in the funding of the Reorganized Debtor and receive a share of the equity
17 of the Reorganized Debtor based upon such funding. Holders of Investor Claims who
18 make this election shall also participate in distributions from the Unsecured Creditor
19 Fund, based upon the amount of the interest included in their Allowed Claims. For
20 these purposes, each holder shall be entitled to receive a share of the equity in the
21 Reorganized Debtor and shall be required to fund its *pro rata* share of (i) the total of all
22 Investors Claims, (ii) multiplied by 15.5%, of \$20 million.

23 Debtor estimates that Investor Claims aggregate approximately \$26 million, of
24 which \$11 million represents interest. Accordingly, the holder of an Allowed Investor
25

1 Claim of \$1 million would be entitled to receive a .60% in the Reorganized Debtor and
2 would be required to fund a total of \$119,231, of which \$17,885 would be due at the
3 commencement of the Confirmation Hearing and an additional \$23,846 would be due
4 on the Effective Date.

5 Investor Claims are impaired.

6 **c. Class 3.03 – The AED Unsecured Claim.**

7 The Plan provides that the Allowed AED Unsecured Claim shall be classified in
8 Classes 3.03 and shall be entitled to pro rata distributions from the Unsecured
9 Creditor Fund. The amount of the AED Unsecured Claim is contingent upon a
10 number of the determinations described above in sections IV.A and IV.B.3.d hereof.

11 The Class 3.03 Claim is impaired.

12 **d. Class 3.04 -- General Claims**

13 The Plan provides that General Claims shall be classified in Class 3.04. Each
14 holder of an Allowed General Claim shall be entitled to pro rata distributions from the
15 Unsecured Creditor Fund, prorated among holders of Investor Claims, the AED
16 Unsecured Claim and other General Claims. Debtor estimates that General Claims
17 aggregate approximately \$68,000.

18 Class 3.04.03 through 3.04.05 Claims are impaired.

19 **5. Equity Interests.**

20 **a. Classes 4.01. Interests of Direct Equity Holders.**

21 The Plan classifies equity interests held by the four members of Debtor as
22 Class 4.01 Interests. The Plan provides that Class 4.01 Interests shall be cancelled
23 except to the extent a holder of such an Interest elects to participate in the funding of
24 the Reorganized Debtor. For these purposes, each holder shall be allocated the right
25

1 to participate in equity in the Reorganized Debtor by agreeing to fund its *pro rata*
2 share (based on the percentages set forth in the last column of the table set forth in
3 section II.A hereof of \$20 million, payable as described in section IC(1) hereof.

4 Class 4.01 Interests are impaired.

5 **b. Class 4.02. Indirect Equity Holder Interests.**

6 The Plan classifies the equity interests in Debtor of the members of Direct
7 Equity Holders as Class 4.02 Interests. The Plan provides that such Interests in
8 Debtor shall be cancelled except to the extent (i) the Direct Equity Holder of which
9 such holder is a member does not elect to participate in the funding of the
10 Reorganized Debtor, and (ii) the holder of such Interest elects to participate in such
11 funding. For these purposes, each holder shall be allocated the right to participate in
12 equity in the Reorganized Debtor by agreeing to fund its *pro rata* share (based on the
13 percentages set forth in the last column of the table set forth in section II.A, multiplied
14 by such holder's equity interest percentage in the Direct Equity Holder) of \$20 million,
15 payable as described in section IC(1) hereof.

16 Class 4.02 Interests are impaired.

17 **c. Class 4.03. Conversion Right Interests.**

18 The Plan classifies all Interest of a holder of conversion rights into equity of the
19 Debtor as Class 4.03 Interests. The Plan provides that such interests be cancelled
20 except to the extent the holder of such Interest elects to participate in the funding of
21 the Reorganized Debtor and agrees to contribute its share of the required funding
22 provided for herein. These Interests are essentially the same as the interests of
23 holders of Investor Claims and each holder of such an Interest shall be treated in the
24 fashion described for the treatment of a Participating Investor.

1 Class 4.03 Interests are impaired.

2 **C. OTHER PLAN PROVISIONS.**

3 **1. Funding for Reorganized Debtor.**

4 Based upon the projections attached to this Disclosure Statement, Debtor has
5 estimated that the Reorganized Debtor will require additional funding to pay operating
6 costs, make payments provided for under the Plan and make development
7 improvements on the Property. In general, the projections indicate that revenues from
8 the sale of parcels will not commence for over three years. Once sales commence,
9 the proceeds of sales are sufficient to cover debt service payments (including partial
10 release payments), sales costs and other expenses. Thus, for the first three years of
11 the Plan, the Reorganized Debtor will need sufficient funding to cover all debt service
12 and expenses. Debtor estimates that the Reorganized Debtor's cash needs can be
13 comfortably met with \$7 million in new funding received by the Effective Date, and \$5
14 million on each of the first two anniversaries of the Effective Date, and \$3 million on
15 the third anniversary of the Effective Date. Debtor believes that these funding levels
16 are sufficient regardless of the outcome of the issues affecting the amount and
17 payment requirement for the AED Claim.

18 The Plan provides for reduction in the required payments if the sale referred to
19 in section III.A.7 is completed. Debtor anticipates that other material adjustments in
20 required funding levels would be proposed if all or a portion of the AED Secured Claim
21 were paid through a transfer of a portion of the Property.

22 The Plan provides for these funds to be obtained, in whole or in part, from cash
23 contributions made by existing equity holders and by holders of Investor Claims who
24 elect to participate in the funding in exchange for an interest in the Reorganized
25

1 Debtor. The Plan provides that Direct Equity Holders will be entitled to elect to
2 participate by funding their pro rata share of \$20 million, with their pro rata share being
3 based on their current equity share diluted by a 15.5% interest reserved for holders of
4 conversion rights. If a Direct Equity Holder does not elect to participate, its members
5 are afforded the right to obtain a direct interest in the Reorganized Debtor based upon
6 such members share of the Direct Equity holder.

7 These allocations would result in a total funding amount in excess of the
8 amounts required. If the interests are oversubscribed, each Person entitled to
9 participate will be afforded its pro rata share of the required funding.

10 **2. Allocation of Partial Release Prices.**

11 The Plan provides for payment of partial release prices to the holder of the
12 Allowed AED Secured Claim. The amount per acre of the partial release price (before
13 adjustments for cumulative payments) for each portion of the property is based upon
14 the amount of the Creditor Value, as determined by the Bankruptcy Court, multiplied
15 by a percentage factor assigned to each major tract of the Property, multiplied by the
16 percentage that the parcel to be sold represents of the major tract to which it is
17 assigned.

18 The major tracts and their relative percentages are set forth in Exhibit A of the
19 Plan.

20 **3. Disbursing Agent.**

21 The Plan provides for the appointment of a Disbursing Agent to make
22 disbursements on account of Unsecured Claims. The Plan provides that the
23 Reorganized Debtor may be appointed as the Disbursing Agent.

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4. Additional Provisions.

The Plan contains other provisions regarding the determination and allowance of Claims and the continuing jurisdiction of the Bankruptcy Court to make determinations relating to the Plan.

THE FOREGOING IS ONLY A SUMMARY OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL AND TO CONSULT WITH THEIR COUNSEL AND/OR FINANCIAL ADVISERS REGARDING THE PLAN'S TERMS AND LEGAL EFFECT. CREDITORS ARE ADVISED THAT, SHOULD THE PLAN BE CONFIRMED, THE PLAN AND THE ORDER CONFIRMING PLAN SHALL BE BINDING ON CREDITORS, DEBTOR, AND THE REORGANIZED DEBTOR.

V. FINANCIAL INFORMATION AND PROJECTIONS.

A. CURRENT FINANCIAL CONDITION.

Debtor has prepared separate balance sheets and income statements commencing for the 2011 calendar year. These are attached as Exhibit 4.

B. PROJECTIONS OF SOURCES AND USES OF CASH.

Debtor has prepared projections of the source and use of funds for the consummation of the Plan. Such projections are included as Exhibit 5 to this Disclosure Statement.

VI. CURRENT AND PROPOSED MANAGEMENT.

A. EQUITY OWNERSHIP AND CONTROL.

Ownership of the equity of the Reorganized Debtor will be determined based upon the elections of various parties to participate in the funding of the Reorganized Debtor. CMS and certain affiliates intend to fund a portion of the new funds and intend to retain an equity interest and its role as Manager of the Reorganized Debtor.

1 As part of the election to participate, each electing participant shall be required
2 to execute a revised operating agreement authorizing the assignment of membership
3 interests to electing participants, approving the relative shares of equity, authorizing
4 the Manager to manage the affairs of the Reorganized Debtor based upon the
5 authority assigned to the Manager, authorizing the sale of parcels based upon the
6 value assignments provided in the projections, and making such other modifications to
7 the operating agreement as may be described hereafter.

8 **B. MANAGEMENT TEAM.**

9 Debtor anticipates no changes in management personnel and management
10 structure for Debtor after the Effective Date.

11 Biographical summaries for key management are included as Exhibit 6 to this
12 Disclosure Statement.

13 **VII. LEGAL REQUIREMENTS FOR CONFIRMATION.**

14 This Section of the Disclosure Statement discusses the legal requirements for
15 Confirmation of the Plan as established by § 1129 and other provisions of the
16 Bankruptcy Code.

17 **A. ACCEPTANCE OF PLAN BY CREDITORS.**

18 A Class of Claims impaired under the Plan "accepts" the Plan only if (a) more
19 than one-half of the holders who submit ballots for Claims in that Class vote to accept,
20 and (b) the holders of Claims accepting the Plan hold at least two-thirds, by dollar
21 amount, of the voted Claims within that Class. A Class of Interests impaired under the
22 Plan "accepts" the Plan only if two-thirds of the voted Interests in such Class have
23 voted to accept the Plan. If the requisite acceptances of each Class of Claims or
24 Interests are obtained and the Plan is confirmed, the Plan will be binding with respect
25

1 to all holders of Claims and Interests of each Class, including members who did not
2 vote or who voted to reject the Plan.

3 **B. BEST INTERESTS OF CREDITORS.**

4 Section 1129(a)(7) provides that, as a condition to confirmation, a Plan must
5 provide that any creditor not voting to accept the Plan must receive, under the Plan,
6 distributions of a value at least equal to that which such creditor would receive if
7 Debtor were liquidated under Chapter 7 of the Bankruptcy Code. This provision is
8 generally referred to as the "best interest test."

9 Debtor believes that the best interests test is satisfied by the Plan. For the
10 purpose of applying the "best interest" test, Debtor has prepared an estimate of the
11 results of a liquidation, which is attached as Exhibit 7 to this Disclosure Statement.
12 This estimate indicates that the liquidation of Debtor would likely result in sufficient
13 funds to pay only some of the Secured Claim and Priority Claims with no funds being
14 available for non-priority secured claims or equity interests.

15 **C. FEASIBILITY OF PLAN.**

16 Section 1129(a)(11) of the Bankruptcy Code provides that a plan of
17 reorganization may be confirmed only if the Bankruptcy Court concludes that the
18 proposed reorganization will likely not be followed by the need for subsequent
19 liquidation (except to the extent that such liquidation is provided for in the Plan). The
20 standard set forth in this section of the Bankruptcy Code is generally referred to as the
21 "feasibility" requirement.

22 Proponents have formulated the terms of the Plan to provide for payment
23 obligations that are consistent with projected results of operations, as depicted in
24 Exhibit 5. The projections have been based on the best information available to
25

1 Debtor and its advisers and to the assumptions described herein, which Debtor
2 believes are reasonable.

3 Success in achieving the projected results, both during the period of installment
4 payments and overall as of the maturity dates, is not assured. Variations in overall
5 financing and market conditions, local economic conditions in the Prescott and
6 Phoenix area, and the pace with which water rights and other entitlements may be
7 acquired, may result in conditions that are worse than those assumed in the
8 projections. Debtor believes, however, that the projections are reasonable and
9 consistent with historical norms, making the results more likely than not achievable.
10 Moreover, management is knowledgeable of the underlying financial assumptions and
11 prepared to "manage to" the projections, with cost-cutting measures and responsive
12 changes to marketing and pricing assumptions.

13 At the Confirmation Hearing, Proponents will proffer testimony of management
14 and appropriate experts to support the feasibility of the projections and the relative
15 likelihood that Debtor will be able to perform its obligations under the Plan.

16 **D. CONFIRMATION POSSIBLE WITHOUT ACCEPTANCE BY ALL CLASSES.**

17 Proponents intend to request the Bankruptcy Court to confirm the Plan even if a
18 Class of Claims or Interests does not accept the Plan. To do so, the Bankruptcy Court
19 must find that the Plan is fair and equitable with respect to each Class of Claims or
20 Interests that is impaired and has not accepted the Plan. Proponents believe that the
21 Plan will satisfy the fair and equitable requirements of the Bankruptcy Code to the
22 extent such requirements are applicable based upon the vote of Creditors on the Plan.
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1 **1. Fair and Equitable Treatment of Secured Claims.**

2 With respect to a Class of Secured Claims that does not accept the Plan, the
3 Bankruptcy Code's "fair and equitable" standard includes a requirement that the
4 holders of the Claims receive either (i) retain their liens on the collateral and receive
5 cash payments, on the Effective Date or in installments, of a value equal to the
6 amount of the Secured Claim, or (ii) the realization of the indubitable equivalent of the
7 Secured Claim. Debtor believes that this standard is satisfied by the Plan, which
8 provides that each holder of a Secured Claim will receive payment of the full amount
9 of its Claim, with interest at a rate to be determined by the Bankruptcy Court, and will
10 retain the holders' lien on the collateral to secure payment of the amounts specified by
11 the Plan.

12 **2. Fair and Equitable Treatment of Unsecured Claims.**

13 With respect to an unsecured, non-accepting Class of Claims, the Bankruptcy
14 Code's "fair and equitable" standard includes a requirement that either (i) the holders
15 of the Claims receive cash payments, on the Effective Date or in installments, of a
16 value equal to the amount of the Claim, or (ii) no Class of junior Claims or Interests
17 receives anything on account of such junior Claim or Interest. Debtor believes that this
18 standard is satisfied by the Plan, as no junior classes will receive anything under the
19 Plan on account of such claims and, instead, junior interests will be canceled and
20 holders of such claims and interests will receive value under the Plan only account of
21 their participation in the funding of the Reorganized Debtor.

22 **3. Acceptance by at Least One Impaired Class of Claims.**

23 Section 1129(a)(10) of the Bankruptcy Code requires that the Plan must be
24 affirmatively accepted by at least one impaired Class of Claims, excluding any
25

1 acceptances of any Insider. Debtor believes that each Class of Secured Claims and
2 each Class of Unsecured Claims is impaired under the Plan, and that, accordingly, the
3 acceptance of the Plan by any of such Classes will satisfy this requirement of the
4 Bankruptcy Code.

5 **VIII. TAX CONSEQUENCES OF PLAN.**

6 The filing of these Chapter 11 proceedings and/or the consummation of the
7 Plan may have significant federal and state insured tax consequences on Debtor, its
8 equity holders, and creditors. Some of the potential conveyances are summarized
9 below.

10 Since formation, Debtor has been a "flow through" entity for income tax
11 purposes. Accordingly, Debtor's income, expenses and tax attributes has, in general
12 been "passed through" to equity holders, and Debtor has not been obligated directly
13 as a federal income tax taxpayer. On the Effective Date of the Plan, the Reorganized
14 Debtor will continue to be flow through entities.

15 Debtor anticipates that the consummation of the Plan of Reorganization may
16 result in some recognition of "discharge of indebtedness income," ordinarily taxable
17 under § 61(a)(12)) of the Tax Code. Debtor believes that such income may be
18 excluded from gross income pursuant to §1361(a)(1) depending upon the particular
19 circumstances of the equity holder.

20 In general, creditors receiving cash under the Plan may recognize an ordinary
21 or capital loss based upon the difference between the amount of their claim and the
22 value of the assets received by them under the Plan.

23 **IN NO EVENT WILL DEBTOR, OR ANY AFFILIATE OF DEBTOR, OR**
24 **ANY PROFESSIONAL ADVISORS ENGAGED BY ANY OF THEM BE**
25 **LIABLE IF, FOR ANY REASON, THE FEDERAL TAX**

1 CONSEQUENCES OF THE PLAN ARE OTHER THAN AS
2 ANTICIPATED. CREDITORS MUST LOOK SOLELY TO AND RELY
3 SOLELY UPON THEIR OWN ADVISORS AS TO THE FEDERAL TAX
4 CONSEQUENCES OF THIS PLAN.

4 **IX. CLAIMS BAR DATES AND EFFECTIVE DATE**

5 **A. BAR DATE.**

6 The Court has established _____, as the last date for the filing of
7 claims against Debtor, other than Administrative Claims. The Court has not
8 established a bar date for Administrative Claims.

9 **B. PLAN EFFECTIVE DATE.**

10 "Effective Date" shall be that date, not less than 11 nor more than 90 days after
11 the entry of the Confirmation Order, upon which the events required for substantial
12 consummation of the Plan occur. Debtor anticipates that they will establish October
13 31, 2012 as the Effective Date.

14 **X. ALTERNATIVES TO PLAN.**

15 Debtor believes that this Plan presents a superior approach to any available
16 alternative, including a liquidation of the Property by a trustee or the completion of a
17 trustee's sale by the holder of the AED Secured Claim.

18
19 **XI. RECOMMENDATION OF DEBTOR.**

20 Debtor recommends that the Plan of Reorganization be approved. In light of
21 the alternative of liquidation, Debtor believes that the Plan is in the best interest of all
22 creditors and parties in interest.

23 DATED this 3rd day of August, 2012.

24
25 By /s/ Gary Burton

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27 DISCLOSURE STATEMENT: AUGUST 3, 2012 PLAN

Case No. 2-12-BK-04962-RTBP

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For CMS, as Manager of Debtor

STINSON MORRISON HECKER LLP

By /s/ Alan A. Meda
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EXHIBIT 1

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7
8 **IN THE UNITED STATES BANKRUPTCY COURT**
9 **FOR THE DISTRICT OF ARIZONA**

10 In re:
11 **GRANITE DELLS RANCH HOLDINGS,**
12 **LLC,**
13 Debtor.

Chapter 11
Case No. 2:12-bk-04962-RTBP

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18 **DEBTOR'S AMENDED PLAN OF REORGANIZATION**
19 **DATED AUGUST 3, 2012**
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PLAN EXHIBITS

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B	Allocation of Equity Participation
C	Map of Proposed Settlement

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

**GRANITE DELLS RANCH HOLDINGS,
LLC,**

Debtor

Chapter 11

Case No. 2:12-bk-4962-RTBP

**DEBTOR'S AMENDED PLAN OF
REORGANIZATION DATED AUGUST 3,
2012**

GRANITE DELLS RANCH HOLDINGS, LLC, Debtor and Debtor-in-Possession in these Chapter 11 proceedings ("**Debtor**"), files its Amended Plan of Reorganization, as follows:

I. INTRODUCTION.

Debtor is an Arizona limited liability company organized in 2006 to acquire and develop approximately 15,000 contiguous acres in Yavapai County, Arizona (referred to herein as the "**Property**"). Debtor commenced these chapter 11 proceedings on March 13, 2012, and filed a proposed plan of reorganization on June 11, 2012, providing for the continuation of Debtor's development and sale of parcels of the property and the payment of its obligations to creditors on restructured terms. On August 2, 2012, Debtor filed its amended plan (the "**Plan**") providing for certain corrections and modifications.

A. PLAN SUMMARY.

The Plan provides for the continuation of Debtor's ownership and development of the property under current management. Operating expenses, additional property development costs, and debt service will be funded through additional equity contributions, third-party loans and revenues from the sale of parcels of the Property.

The Plan provides that each existing member and holder of an interest in Debtor (a "**Direct Equity Holder**") shall retain its interests in the Reorganized Debtor only if such holder participates in the funding of additional equity. The Plan also provides that each holder of an investment promissory note (an "**Investor Claim**") will

1 be given the option of participating in the funding of the Reorganized Debtor. A holder
2 of an Investor Claim who elects to participate in the funding shall become a member
3 with a share of profits pro rated among all new equity contributors. An electing holder
4 of an Investor Claim will also participate in distributions with other unsecured creditors,
5 based on the amount of accrued and unpaid interest such holder is owed.

6 The Plan also provides that each member of a Direct Equity Holder (an
7 "**Indirect Equity Holder**") shall be given the opportunity to participate in the funding of
8 the Reorganized Debtor to the extent its Direct Equity Holder does not elect to
9 participate. An Indirect Equity Holder who elects to participate will become a member
10 of the Reorganized Debtor with a share of profits pro rated among all new equity
11 contributors.

12 The Plan also contemplates that the Reorganized Debtor will borrow additional
13 funds or accept additional equity investments from third parties on terms specified
14 herein or in agreements reached with such third parties prior to the Confirmation Date.
15 In the aggregate, the Plan provides for additional funding of up to \$20 million in total,
16 with \$7 million to be provided before the Effective Date of the Plan and with the
17 balance to be provided in annual installments payable on the first three anniversaries
18 of the Effective Date.

19 The Plan provides for the restructuring of the AED Secured Claim, Debtor's
20 primary secured obligation, in accordance with provisions of the Bankruptcy Code.
21 The Plan provides for payment in full of the Allowed AED Secured Claim through
22 minimum quarterly payments and partial release payments from the proceeds of sales
23 of parcels of the Property. The amount of the payments and the duration thereof will
24 depend on the amount of the Allowed Claim and, if applicable, whether the holder of
25 the Claim makes the election provided in § 1111(b) of the Bankruptcy Code.

26 The Plan provides for separate classification of each Unsecured Claim into one
27 of four classes: Inter-Company Claims (claims against Debtor held by certain
28 affiliates); the AED Unsecured Claim, if any; Investor Claims (claims held by Persons

1 who advanced funds to Debtor and, in most cases, received promissory notes with
2 options to convert to equity interests); and General Claims (all other unsecured claims
3 without priority). The Plan provides for the establishment of an Unsecured Creditor
4 Fund of \$5 million to be funded quarterly over eight (8) years and to be distributed *pro*
5 *rata* to the holders of Unsecured Claims except (i) Inter-Company Claims, and (ii)
6 Investor Claims held by Persons who elect to participate in the funding of the
7 Reorganized Debtor on the terms described herein.

8 **1. Priority Claims.**

9 **a) Administrative Claims.**

10 Section III of the Plan specifies the treatment of Administrative Claims, including
11 Cure Payments. The Plan provides for payment of ordinary course administrative
12 operating expenses on the Effective Date of the Plan or, if later, when due in
13 accordance with their terms. Professional expenses and other administrative
14 expenses requiring court approval will be paid on the Effective Date or, if later, when
15 Allowed as Administrative Claims or as agreed to by the holder of such Claims.

16 **b) Priority Tax Claims.**

17 Section V(B) identifies certain Priority Tax Claims and provides for their
18 treatment under the Plan. In general, Priority Tax Claims shall be payable in full in
19 quarterly installments over not more than five (5) years after the Petition Date, with
20 interest at the rate specified by statute.

21 **c) Wage Priority Claims.**

22 Debtor is not aware of any Claim entitled to priority under the Bankruptcy Code
23 other than Administrative Claims and Priority Tax Claims. Nevertheless, section VI(A)
24 of the Plan identifies Wage Priority Claims as a possible separate Class and section
25 V(A) provides for the treatment of any such claims, to the extent Allowed as Priority
26 Claims. In general, Wage Priority Claims shall be paid in full on the Effective Date, or,
27 if later when due or when Allowed as such claims.

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2. Secured Claims.

Sections IV(B) and V(B) provide for the separate classification and treatment of Secured Claims.

a) *Lessor Secured Claim.*

Claims that arise from leases of equipment or other personal property, if the underlying agreement is, or becomes, re-characterized as a financing transaction, are classified in Class 2.01 to the extent such Claim is an Allowed Secured Claim. The Plan provides that the holder of such a Claim shall be entitled to receive equal monthly installments, over the period of the underlying agreement and any optional extensions thereof, and that each such monthly installment shall be in the amount that, if so paid over such term, would result in the payment of the total amount of the Allowed Secured Claim plus interest at the Secured Claim Rate.

b) *Deposit Secured Claim.*

Claims that are secured by a deposit of Debtor's funds held by the holder of the Claim are classified in Class 2.02 to the extent such Claim is an Allowed Secured Claim. The Plan provides that the holder of such a Claim shall be entitled to apply the deposit to payment of the Claim.

c) *Secured Property Tax Claim.*

Claims of taxing authorities, or their assignees, for taxes accruing prior to the Petition Date are classified in Class 2.03 to the extent such Claim is secured by a lien on Debtor's property. The Plan provides that such Claims shall be paid in full in equal quarterly installments commencing as of the Payment Commencement Date and continuing each quarter until the fifth (5th) anniversary of the Effective Date.

d) *AED Secured Claim.*

The Plan provides for the classification of the Allowed AED Secured Claim in Class 2.04. The Plan provides for the payment in full of the Allowed Amount of such Claim in installments. The installments shall include Minimum Quarterly Payments

1 over eight (8) years and Partial Release Amounts as parcels of the Property are sold.
2 If the holder of the AED Secured Claim elects treatment under § 1111(b) of the
3 Bankruptcy Code, provided such treatment is applicable, the Minimum Quarterly
4 Payments shall be adjusted accordingly and paid over twenty-five (25) years.

5 **e) *Sonoran Pacific Secured Claim.***

6 The Plan provides for the classification of the Secured Claim of Sonoran Pacific
7 Resources, LLP ("**Sonoran Pacific**") in Class 2.05. Sonoran Pacific's Claim is
8 secured by a lien on certain equipment and other personal property of the Debtor.
9 Debtor believes that the value of Sonoran Pacific's collateral significantly exceeds the
10 amount of its Claim, estimated at \$7,500.. The Plan provides for the payment in full of
11 the Allowed Amount of such Claim in equal quarterly installments commencing as of
12 the Payment Commencement Date and continuing each quarter until the third (3rd)
13 anniversary of the Effective Date with interest at the Secured Claim Rate..

14 **3. Unsecured Non-Priority Claims.**

15 The Plan identifies the following groups of Unsecured Claims not entitled to
16 priority under the Bankruptcy Code:

17 **a) *Inter-Company Claims.***

18 Inter-Company Claims consist of Claims arising from ordinary course inter-
19 company transactions between Debtor and an Affiliate and are classified in Class
20 3.01. These Claims will be paid in full with interest, but only after, and to the extent,
21 all other Unsecured Claims have been paid the amounts provided for herein.

22 **b) *Investor Claims.***

23 Investor Claims consist of Claims arising from promissory notes issued by
24 Debtor to Persons who invested in Debtor's business and are classified in Class 3.02.
25 Holders of these Claims who elect to do so shall become "Participating Investors" and
26 shall be entitled to receive an Equity Interest in the Reorganized Debtor based upon
27 their funding of the Reorganized Debtor and the amount of their Allowed Investor

1 Claim. Holders of an Investor Claims that do not elect to be Participating Investors
2 shall receive a portion of the Unsecured Creditor Fund prorated among such
3 nonparticipating Investor Claims, the AED Unsecured Claim and General Claims,
4 payable quarterly over eight (8) years. Participating Investors shall also participate in
5 distributions from the Unsecured Creditor Fund, based upon the amount of their Claim
6 that represents accrued and unpaid interest.

7 **c) AED Unsecured Claim.**

8 The AED Unsecured Claim consist of that portion of the Allowed Claim of AED
9 not Allowed as a Secured Claim pursuant to § 506(a) of the Bankruptcy Code or
10 otherwise and is classified in Class 3.03. Except as otherwise determined by the
11 Bankruptcy Court, the holder of the AED Unsecured Claim shall be entitled to a
12 portion of the Unsecured Creditor Fund prorated among Investor Claims, the AED
13 Unsecured Claim and General Claims, payable quarterly over eight (8) years.

14 **d) General Claims.**

15 General Claims consist of all other non-priority and unsecured Claims and are
16 referred in Class 3.04. Holders of Ordinary Course Claims shall be entitled to a
17 portion of the Unsecured Creditor Fund prorated among Investor Claims, the AED
18 Unsecured Claim and General Claims, payable quarterly over eight (8) years.

19 **e) Equity Interests.**

20 Except to the extent provided elsewhere in the Plan, the holders of Interests in
21 Debtor shall receive nothing on account of their Interests and such Interests shall be
22 cancelled on the Effective Date.

23 Each member of Debtor, referred to in the Plan as a Direct Equity Holder, shall
24 be entitled to retain its membership interest in the Reorganized Debtor if, and to the
25 extent, such member elects to provide a portion of the funding of the Reorganized
26 Debtor. Such Interests are classified in the Plan in Class 4.01.

1 The Interest of a holder of conversion rights into equity in Debtor or equity
2 Interests in a member of Debtor shall be entitled to exercise such conversion rights
3 only if such holder elects to be a Participating Investor and participates in the funding
4 of the Reorganized Debtor. Such Interests are classified in the Plan in Class 4.02.

5 To the extent that a Direct Equity Holder does not elect to be a Participating
6 Investor, each holder of an equity interest in such member, referred to in the Plan as
7 an Indirect Equity Holder, shall be entitled to become a member of Debtor and receive
8 an Interest in Reorganized Debtor if, and to the extent, such holder elects to be a
9 Participating Investor and participates in the funding of the Reorganized Debtor.

10 **4. Manner of Making Elections.**

11 The Plan provides that holders of Investor Claims, Direct Equity Holders and
12 Indirect Equity Holders shall be entitled to make an election as to their treatment
13 under the Plan. Section VI provides the timing for and making of such elections.

14 **5. Claim Allowance and Distribution Process.**

15 Claims shall be allowed or disallowed in accordance with the provisions of the
16 Bankruptcy Code and the Bankruptcy Rules. Section IX describes certain procedures
17 for determining the allowance of claims and the requirements for receiving
18 distributions provided for in the Plan. Except to the extent otherwise provided in such
19 section or as ordered by the Bankruptcy Court, no distributions shall be made on
20 account of Claims unless and until Allowed.

21 **II. DEFINED TERMS IN THE PLAN.**

22 The Plan, exhibits to the Plan, and the Disclosure Statement accompanying the
23 Plan employ certain words and phrases with specific meanings. The following
24 provisions provide definitions of these terms and/or references to other sources
25 providing the meaning of such terms.
26

1 **A. DEFINED TERMS.**

2 The following terms used in the Plan shall have the indicated meanings, except
3 as otherwise provided herein.

4 **1. §1111(b) Secured Claim Balance.**

5 "**§1111(b) Secured Claim Balance**" means (i) the amount of Allowed AED
6 Secured Claim, less (ii) the aggregate amount of all payments made on account of the
7 Allowed AED Secured Claim as of the Creditor Value Payment Date. The §1111(b)
8 Secured Claim Balance is applicable only if the §1111(b) election is applicable to the
9 Allowed AED Secured Claim.

10 **2. Administrative Claim.**

11 "**Administrative Claim**" means a Claim or expense, or a portion of a Claim or
12 expense, that is a cost or expense of the administration of the Estate allowed under
13 § 503(b) of the Bankruptcy Code and entitled to priority under § 507(a)(2) of the
14 Bankruptcy Code, including but not limited to (i) any actual and necessary cost and
15 expense of preserving the Estate, or operating the business of Debtor, (ii) fees and
16 expenses of professionals entitled to compensation pursuant to Sections 328, 330 and/or
17 503(b) of the Bankruptcy Code, (iii) Cure Payments payable by Debtor, and (iv) pre- and
18 post-confirmation fees due to the U.S. Trustee. Administrative Claims are treated in the
19 Plan in accordance with the provisions of section III.A of the Plan.

20 **3. AED.**

21 "**AED**" means Arizona Eco Development, LLC, an Arizona limited liability
22 company under the control of R. Stewart Swanson. AED is the current holder of the
23 AED Claim.

24 **4. AED Claim.**

25 "**AED Claim**" means the Claim currently held by AED arising from AED's
26 acquisition of a promissory note issued by Debtor in 2006 payable to the Original
27 Property Owners, including any security agreements assigned to AED by the Original

1 Property Owners. The AED Claim consists of the AED Secured Claim and the AED
2 Unsecured Claim.

3 **5. AED Secured Claim.**

4 "AED Secured Claim" means that portion of the AED Claim that is Allowed as
5 a Secured Claim pursuant to § 506(a) and § 1111(b) of the Bankruptcy Code. The
6 AED Secured Claim is classified in Class 2.04.

7 **6. AED Unsecured Claim.**

8 "AED Unsecured Claim" means that portion of the AED Claim that is Allowed
9 as an Unsecured Claim, if any, pursuant to § 506(a) of the Bankruptcy Code and
10 applicable law. The AED Unsecured Claim is classified in Class 3.03.

11 **7. Affiliate.**

12 "Affiliate" of a Person refers to a person or entity that would be an "affiliate" of
13 such Person under § 101(2) of the Bankruptcy Code, if such Person were a Debtor.

14 **8. Allowed.**

15 "Allowed" refers to a Claim or Interest that has been Timely Submitted, is
16 Allowable, and has been Determined, as such terms are defined in sections II and IX of
17 the Plan.

18 **9. Allowed Amount.**

19 "Allowed Amount" means the Allowed dollar amount of a Claim.

20 **10. Assumed Lease or Assumed Contract.**

21 "Assumed Lease or Contract" means an executory contract or lease, within
22 the meaning of § 365 of the Bankruptcy Code that is assumed by the Reorganized
23 Debtor.

24 **11. Avoidance Action.**

25 "Avoidance Action" means a claim or cause of action of the Estate to avoid
26 transfers made by Debtor to the extent such claim arises under §§ 544-551 of the
27 Bankruptcy Code.

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12. Bankruptcy Code.

"**Bankruptcy Code**" means the Bankruptcy Code, as set forth in Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as applicable to Chapter 11 cases filed on the Petition Date.

13. Bankruptcy Court.

"**Bankruptcy Court**" means the United States Bankruptcy Court for the District of Arizona (or such other court as may have jurisdiction over the Chapter 11 Case) and, with respect to any particular proceeding arising under Title 11 of the United States Code, or arising in or related to the Chapter 11 Case, any other court which has jurisdiction over such proceeding.

14. Bankruptcy Estate.

"**Bankruptcy Estate**" or "**Estate**" means the estate created upon the filing of the Chapter 11 Case pursuant to § 541(a) of the Bankruptcy Code.

15. Bankruptcy Rules.

"**Bankruptcy Rules**" mean the Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Procedure for the District of Arizona, including any applicable General Orders.

16. Case 1 Minimum Quarterly Payment.

"**Case 1 Minimum Quarterly Payment**" means that amount of money that, if paid in equal quarterly installments over eight (8) years, would equal the Creditor Value of the AED Secured Claim with interest at the Secured Claim Rate.

17. Case 2 Minimum Quarterly Payment.

"**Case 2 Minimum Quarterly Payment**" means that amount of money that, if paid in equal quarterly installments over twelve (12) years, would equal the Creditor Value of the AED Secured Claim with interest at the Secured Claim Rate.

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18. Case 3 Minimum Quarterly Payment.

"Case 3 Minimum Quarterly Payment" means that amount of money that, if paid in equal quarterly installments, commencing on the Creditor Value Payment Date and continuing thereafter until the twenty-fifth (25th) anniversary of the Effective Date, would be equal, in the aggregate, to the 1111(b) Secured Claim Balance. The Case 3 Minimum Quarterly Payment is applicable only if the §1111(b) election is applicable to the treatment of the AED Secured Claim.

19. Chapter 11 Case.

"Chapter 11 Case" means the bankruptcy proceedings before the Bankruptcy Court entitled "*In re Granite Dells Ranch Holdings, LLC*, Case No. 2-12-4962-RTBP.

20. Claim.

"Claim" has the meaning set forth in § 101(5) of the Bankruptcy Code.

21. Class.

"Class" means a category of classified Claims or Interests, as designated in section IV of the Plan.

22. CMC.

"CMC" refers to Cavan Management Company, LLC, an affiliate of Debtor.

23. CMS.

"CMS" refers to Cavan Management Services, LLC, the manager and a member of Debtor.

24. Confirmation.

"Confirmation" means the entry of the Confirmation Order.

25. Confirmation Date.

"Confirmation Date" means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

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26. Confirmation Hearing.

"Confirmation Hearing" means the hearing conducted by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be continued from time to time.

27. Confirmation Order.

"Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

28. Conversion Right Holder.

"Conversion Right Holder" refers to the holder of a right to convert an Investor Claim against Debtor, or a Direct Equity Holder, to an equity interest in Debtor. Conversion Right Holders are classified in Class 4.02.

29. Creditor Value.

"Creditor Value" means the "the value of [the creditor's] interest in the estate's interest in" creditor's collateral, as used in §1129(b)(2)(A)(II) of the Bankruptcy Code.

30. Creditor Value Payment Date.

"Creditor Value Payment Date" means the date upon which all payments made on account of the AED Secured Claim equal the Creditor Value of such Claim with interest at the Secured Rate.

31. Creditors' Committee.

"Creditors' Committee" refers to any Official Unsecured Creditors' Committee appointed in the Chapter 11 Case, as constituted from time to time.

32. Cumulative Minimum Payment Amount.

"Cumulative Minimum Payment Amount" means an amount, to be calculated on a quarterly basis, equal to the Minimum Payment Amount times the number of quarters completed after the Effective Date.

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33. Cumulative Partial Release Amount.

"Cumulative Partial Release Amount" means an amount, to be calculated from time to time as portions of the property are sold, equal to the aggregate amount of Partial Release payments paid to the date of such calculation.

34. Cure Payment.

"Cure Payment" means a payment required under § 365 of the Bankruptcy Code to cure defaults under an Assumed Lease or Contract. Claims for Cure Payments are considered Administrative Claims, and are treated in accordance with the provisions of section III(A)(2) hereof.

35. Debtor.

"Debtor" refers to GDRH, as Debtor and Debtor in Possession in the Chapter 11 Case.

36. Deposit Secured Claim.

"Deposit Secured Claim" refers to a Claim that is secured by a deposit provided for or on behalf of Debtor and currently held by, or for the benefit of, the holder of such Claim to the extent such claim is an Allowed Secured Claim under § 506 of the Bankruptcy Code. Deposit Secured Claims are classified in the Plan in Class 2.02.

37. Direct Equity Holder.

"Direct Equity Holder" refers to the holder of an equity interest in Debtor. Currently, the Direct Equity Holders are CMS, Tri-City, GDI and GDEG. The interest of Direct Equity Holders are classified in Class 4.01.

38. Disbursing Agent.

"Disbursing Agent" refers to the Person appointed to make distributions under the Plan in accordance with Section XII of the Plan.

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39. Disclosure Statement.

"**Disclosure Statement**" refers to the written disclosure statement concerning the Plan approved by the Bankruptcy Court pursuant to § 1125(b) of the Bankruptcy Code, including any amendments and supplements authorized by the Bankruptcy Code or the Bankruptcy Court.

40. Effective Date.

"**Effective Date**" refers to the date designated by Debtor for the Plan to become effective and upon which substantial consummation occurs under § 1101(2) of the Bankruptcy Code, as more specifically provided herein.

41. Eligible Holder.

"Eligible Holder" means a holder of an Investor Claim or an Equity Holder.

42. Equity Holder.

"**Equity Holder**" refers to a Direct Equity Holder, an Indirect Equity Holder, or a Conversion Right Holder.

43. Equity Interest.

"**Equity Interest**" refers to the rights and privileges of an Equity Holder arising from such holder's ownership of an interest in, or right to receive an ownership interest in, Debtor or in a Direct Equity Holder.

44. Final Order.

"**Final Order**" means an order, judgment or other decree of the Bankruptcy Court, including, without limitation, a stipulation or other agreement entered into that is "so ordered" by the Bankruptcy Court, the operation or effect of which has not been reversed or stayed and as to which order, judgment or other decree (or any revision, modification or amendment thereof) the time to appeal or seek review has expired, and as to which no appeal or petition for review or certiorari has been taken or is pending (or if such appeal or petition has been taken or granted, it has been finally decided).

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45. GDEG.

"GDEG" refers to Granite Dells Equity Group, LLC, an Arizona limited liability company and a member of Debtor.

46. GDI.

"GDI" refers to Granite Dells Investors, LLC, an Arizona limited liability company and a member of Debtor.

47. GDRH.

"GDRH" refers to Granite Dells Ranch Holding, LLC, an Arizona limited liability company and the Debtor and Debtor in Possession the Chapter 11 Case.

48. General Claim.

"General Claim" means a Claim against Debtor that is not a Priority Claim, a Secured Claim, an AED Claim, an Investor Claim, or an Inter-Company Claim. General Claims include claims arising from the rejection of leases and executory contracts, any unsecured deficiency claim and any claim determined to be wholly unsecured pursuant to §506(a) of the Bankruptcy Code. General Claims are classified in Class 3.04.

49. General Claim Rate.

"General Claim Rate" means a rate of interest, to be determined by the Bankruptcy Court at or before the Confirmation Hearing, that, when applied to the amount of a General Claim, or an Inter-Company Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Claim, consistent with the requirements of § 1129(b)(2)(B)(i) of the Bankruptcy Code. The General Claim Rate shall be determined in accordance with section XI of the Plan. Absent a contrary determination by the Court, the General Claim rate shall be four percent (4%) per annum.

1 **50. Indirect Equity Holder.**

2 **"Indirect Equity Holder"** means a member of, or the holder of an equity
3 interest in, a Direct Equity Holder.

4 **51. Insider.**

5 **"Insider"** has the meaning set forth in section 101(31) of the Bankruptcy Code.

6 **52. Inter-Company Claim.**

7 **"Inter-Company Claim"** means a Claim, other than a Priority Claim or a
8 Secured Claim, against Debtor that was initially owned, or is now held, by an Affiliate
9 of Debtor under the direct or indirect control of Dave Cavan, Cavan Investment and/or
10 CMC, including, without limitation, any claim for reimbursement, indemnification or
11 contribution. Inter-Company Claims are classified in Class 3.01.

12 **53. Interest.**

13 **"Interest"** means a right, privilege or option that is included in Class 4.01, 4.02
14 or 4.03.

15 **54. Investor Claim.**

16 **"Investor Claim"** means a Claim held by a Person who obtained a promissory
17 note from Debtor, or a member of Debtor, for the purpose of investing in the enterprise
18 of Debtor, whether or not such note was subject to conversion to an equity interest in
19 Debtor or a member of Debtor. Investor Claims are classified in Class 3.02.

20 **55. Lessor Secured Claim.**

21 **"Lessor Secured Claim"** means a Secured Claim against Debtor based upon
22 an instrument entitled "Equipment Lease," or a similar label, to the extent such
23 instrument is re-characterized (by agreement between Debtor and the holder of such
24 Claim, or by a Final Order of the Bankruptcy Court) to be a purchase money obligation
25 of Debtor secured by the goods or equipment identified, or referred to, in the
26 "Equipment Lease." Lessor Secured Claims are classified in Class 2.01.

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56. Minimum Payment Amount.

"Minimum Payment Amount" means the Case 1 Minimum Payment, the Case 2 Minimum Payment or the Case 3 Minimum Payment as may be applicable hereunder.

57. Original Property Owners.

"Original Property Owners" refers to Granite Dells Ranch of Yavapai County, Arizona, Inc. and Point of Rocks Ranch Company, Inc., the original owners of the Property and the sellers of the Property to Debtor in May 2006.

58. Partial Release Amount.

"Partial Release Amount" means the amount of the required payment on account of the AED Secured Claim on account of a sale of a portion of the Property, determined by multiplying the Creditor Value for the AED Secured Claim by the Release Percentage Amount shown on Exhibit A for the applicable portion of the property and multiplied by the number of acres in the sold property.

59. Payment Commencement Date.

"Payment Commencement Date" means the date upon which installment payments provided for herein shall commence on account of a particular Claim. With respect to classes entitled to receive monthly installment payments, the Payment Commencement Date shall be the first day of the first calendar month that is at least thirty (30) days after the Effective Date. With respect to classes entitled to receive quarterly installment payments, the Payment Commencement Date shall be the first day of the first calendar month that is at least ninety (90) days after the Effective Date.

60. Person.

"Person" includes "person," as defined in § 101(41) of the Bankruptcy Code, and "governmental unit," as defined in § 101(27) of the Bankruptcy Code.

1 **61. Petition Date.**

2 **"Petition Date"** means March 12, 2012, the date upon which the petition
3 commencing the Chapter 11 Case was filed.

4 **62. Plan.**

5 **"Plan"** refers to this plan of reorganization, including any amendment or
6 modification made in accordance with the terms of the Plan, the Confirmation Order,
7 or the applicable provisions of the Bankruptcy Code.

8 **63. Post-Confirmation Fees.**

9 **"Post-Confirmation Fees"** refers to the quarterly fees provided for in 28 U.S.C.
10 § 1930(a)(6), as applicable after the Confirmation Date.

11 **64. Priority Claim.**

12 **"Priority Claim"** means a Claim against Debtor that is entitled to priority
13 treatment pursuant to § 507(a) of the Bankruptcy Code. Priority Claims are treated
14 under the Plan as Administrative Claims, Wage Claims, and Tax Claims. To the
15 extent that an Allowed Claim exceeds the amount that is Allowed as a Priority Claim,
16 the balance of the Allowed Claim shall be classified as a General Claim.

17 **65. Pro Rata.**

18 **"Pro Rata"** refers to the ratio of an Allowed Claim or Interest in a particular
19 Class, or identified portion of such Class, to the aggregate amount of all Allowed
20 Claims or Interests in that Class, or identified portion of such Class.

21 **66. Professional.**

22 **"Professional"** refers to a professional Person employed by a Debtor or the
23 Committee pursuant to § 328 of the Bankruptcy Code, with any court approval
24 required by such section.
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67. Professional Fee Claim.

"Professional Fee Claim" refers to a Claim of a Professional against Debtor for fees and expenses allowable against the Estate of Debtor under §§ 326, 327, 328,330 or 331 of the Bankruptcy Code.

68. Property.

"Property" means the real property, together with rights, privileges, and expectancies appurtenant thereto, owned by Debtor and located in Yavapai County, Arizona, consisting of approximately 14,000 acres in and near the city of Prescott.

69. Reorganized Debtor.

"Reorganized Debtor" refers to Debtor after the Effective Date.

70. Secured Claim.

"Secured Claim" means a Claim against Debtor or its property defined as a secured claim under § 506(a) of the Bankruptcy Code. Secured Claims are classified by the Plan in Classes 2.01 through 2.05. To the extent a Claim is Allowed in an amount in excess of the amount Allowed as a Secured Claim, the balance of the Claim shall be treated as a General Claim, except as provided in section V(B)(4)(b).

71. Secured Claim Rate.

"Secured Claim Rate" means a rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Secured Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Secured Claim, consistent with the requirements of § 1129(b)(2)(A)(i)(II) of the Bankruptcy Code. The Secured Claim Rate for each Secured Claim shall be determined in accordance with section XI of the Plan. Absent a contrary determination by the Court, the Secured Claim Rate shall be six percent (6%) per annum.

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72. Secured Tax Claim.

"Secured Tax Claim" means a Claim against Debtor now held, or previously held, by a taxing authority, that is secured by a lien on property of Debtor. Secured Tax Claims are classified in Class 2.03 and their treatment.

73. Tax Claim.

"Tax Claim" means a Claim against Debtor for taxes of the kind specified in § 507(a)(8) of the Bankruptcy Code, to the extent entitled to priority under such section. The treatment of Tax Claims is provided in V(B)(3) of the Plan.

74. Tax Claim Rate.

"Tax Claim Rate" means the rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Tax Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Tax Claim, consistent with the requirements of §§ 1129(a)(9)(C) and 511 of the Bankruptcy Code. The Tax Claim Rate for taxes imposed under Arizona law shall be the statutory rate of interest determined in accordance with Arizona Revised Statutes § 42-18053. The Tax Claim Rate shall be determined in accordance with the provisions of the Plan except as otherwise provided herein.

75. Tri City.

"Tri City" refers to Tri-City Investment and Development, LLC, an Arizona limited liability company, the holder of Equity Interests in Debtor.

76. Unclassified Claim.

"Unclassified Claim" refers to an Administrative Claim or a Priority Tax Claim, treated under § 1123(a)(1) of the Bankruptcy Code as Claims not subject to classification in a Plan.

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77. Unsecured Claim.

"Unsecured Claim" means a General Claim, an Investor Claim, the AED Unsecured Claim or an Inter-Company Claim.

78. Unsecured Creditor Fund.

"Unsecured Creditor Fund" means a fund to be maintained by the Disbursing Agent to make quarterly distributions to unsecured creditors in accordance with the provisions of section VIII hereof. The Reorganized Debtor will make quarterly distributions to the Unsecured Creditor Fund in the aggregate amount of \$5 million.

79. Unsecured Creditor Fund Amount.

"Unsecured Creditor Fund Amount" means the quarterly funding obligation of the Reorganized Debtor to fund the Unsecured Creditor Fund, which amount shall be \$156,250 each quarter for eight years.

80. US Trustee.

"US Trustee" refers to the United States Trustee's Office.

81. US Trustee Fees.

"US Trustee's Fees" refers to the quarterly fees provided for in 28 U.S.C. § 1930(a)(6), as applicable prior to the Confirmation Date.

82. Wage Priority Claim.

"Wage Priority Claim" means a claim for wages, salaries, or commissions, including vacation pay, severance and sick leave pay, of the kind and in the amount specified in § 507(a)(4) of the Bankruptcy Code. Wage Priority Claims are classified in Class 1.01.

B. TERMS USED IN BANKRUPTCY CODE.

The Plan also employs words and phrases that are defined or used in the Bankruptcy Code. Unless another meaning is specified herein or the context requires otherwise, terms used herein shall have the meanings provided in the Bankruptcy Code.

1 **III. UNCLASSIFIED CLAIMS.**

2 Section 1123(a)(1) of the Bankruptcy Code identifies certain Claims that are not
3 subject to separate classification and, as a result, are not claims entitled to vote on
4 Chapter 11 plans. Instead, permissible treatment of Unclassified Claims is specified
5 in §1129(a) of the Bankruptcy Code. This section III identifies Unclassified Claims
6 and provides their treatment under the Plan.

7 **A. ADMINISTRATIVE CLAIMS.**

8 **1. General Provisions.**

9 Except as otherwise specified in this Plan, Debtor shall pay the holder of an
10 Allowed Administrative Claim the Allowed Amount of such Claim, in cash, on the later
11 of (i) the Effective Date, (ii) the date on which the Claim becomes Allowed, or (iii) the
12 date upon which such obligation becomes due in accordance with its terms, including
13 the terms of any agreement entered into after the Petition Date.

14 **2. Cure Payments.**

15 Debtor shall pay the Allowed Amount of Cure Payments as soon as practicable
16 after the Effective Date except as otherwise agreed with the Person entitled to such
17 Cure Payments.

18 Unless the Court orders otherwise or Debtor and the contracting party agree to
19 a different treatment, Debtor shall make Cure Payments arising from other assumed
20 executory contracts and leases of personal property in six (6) equal monthly
21 installments commencing on the Payment Commencement Date and continuing
22 thereafter on the first day of each calendar month thereafter.

23 **3. Professional Fees.**

24 Debtor shall pay Allowed Professional Fees on the later of: (i) the Effective
25 Date; (ii) when such Claims are Allowed, or (iii) when agreed upon by such
26 Professional.

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4. Operating Expenses.

Debtor shall pay ordinary course expenses of operating during these proceedings, including trade payables, on the Effective Date or when due in accordance with their terms.

5. U.S. Trustees' Fees.

Debtor shall pay U.S. Trustee's Fees when due.

B. TAX CLAIMS.

Debtor shall pay the holder of an Allowed Tax Claim, on account of such Claim, the full amount of such Claim in equal quarterly payments over a period commencing on the Payment Commencement Date and ending on the fifth (5th) anniversary of the Petition Date. The aggregate of all payments shall equal the Allowed Amount of such Claim plus interest at the Tax Rate.

IV. CLASSIFIED CLAIMS.

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Claims against, and Interests in, Debtor, of whatever nature, whether or not scheduled, liquidated or unliquidated, absolute or contingent, direct or indirect, including all Claims arising from the rejection of executory contracts, and all Claims or Interests arising from the ownership of equity securities in Debtor, shall be bound by the provisions of this Plan. All Claims, other than Unclassified Claims treated under section III hereof, are classified as provided in this section IV.

A. CLASSIFIED PRIORITY CLAIMS.

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The Plan provides for the following classified Claims to the extent such Claims are entitled to priority treatment under § 507(a) of the Bankruptcy Code:

1. Class 1.01. Wage Claims.

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Class 1.01 shall consist of Wage Claims.

B. SECURED CLAIMS.

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The Plan provides for the following Claims to the extent such Claims are Allowed Secured Claims:

1 **1. Class 2.01. Lessor Secured Claims.**

2 Class 2.01 shall consist of Allowed Lessor Secured Claims.

3 **2. Classes 2.02. Deposit Secured Claims.**

4 Class 2.02 shall consist of Allowed Deposit Secured Claims.

5 **3. Class 2.03. Secured Tax Claims.**

6 Class 2.03 shall consist of Allowed Secured Tax Claims.

7 **4. Class 2.04. AED Secured Claim.**

8 Class 2.04 shall consist of the AED Secured Claim.

9 **5. Class 2.05. Sonoran Pacific Secured Claim.**

10 Class 2.05 shall consist of the Sonoran Pacific Secured Claim.

11 **C. UNSECURED CLAIMS.**

12 **1. Class 3.01. Inter-Company Claims.**

13 Class 3.01 shall consist of Inter-Company Claims.

14 **2. Class 3.02. Investor Claims.**

15 Class 3.02 shall consist of Investor Claims.

16 **3. Class 3.03. AED Unsecured Claim.**

17 Classes 3.03 shall consist of the AED Unsecured Claim.

18 **4. Class 3.04. General Claims.**

19 Class 3.04 shall consist of General Claims.

20 **D. INTERESTS.**

21 **1. Class 4.01. Direct Equity Interests.**

22 Class 4.01 shall consist of the Interests of Direct Equity Holders.

23 **2. Class 4.02. Indirect Equity Interests.**

24 Class 4.02 shall consist of the Interests of indirect Equity Holders.

25 **3. Class 4.03. Conversion Right Interests.**

26 Class 4.03 shall consist of the Interests of Conversion Right Holders.

1 **V. TREATMENT OF CLASSIFIED CLAIMS.**

2 This section describes the treatment of each Class of Claims and Interests
3 classified in the Plan. Notwithstanding these provisions, the holder of a Claim or
4 Interest may agree to a lesser treatment of all or any portion of its Claim or Interest.

5 **A. PRIORITY CLAIMS.**

6 **1. Class 1.01. Wage Claims.**

7 Debtor shall pay each holder of a Class 1.01 Claim, on account of such Claim,
8 the Allowed Amount of such Claim, in cash, on the later of (i) the Effective Date, (ii)
9 the date on which the Claim becomes Allowed, (iii) the date upon which the holder
10 agrees the obligation should be paid; or (iv) the date upon which such obligation
11 becomes due in accordance with its terms.

12 Class 1.01 Claims are unimpaired.

13 **B. SECURED CLAIMS.**

14 The Plan separately classifies each Secured Claim against Debtor or Debtor's
15 property. Under the Bankruptcy Code, a Claim is ordinarily Allowed as a Secured
16 Claim only in the lesser amount of (i) the amount of the Allowed Claim, or (ii) the value
17 of the creditor's interest in the debtor's interest in the debtor's property securing such
18 claim (the "**Creditor Value**"). To the extent the amount of the Allowed Claim exceeds
19 the Secured Value, the Claim is bifurcated into the Secured Claim and an Unsecured
20 Claim equal to the excess of the Allowed Claim over the Creditor's Value.

21 In Chapter 11 proceedings, the holder of the Secured Claim may, under certain
22 circumstances, make an election to have the Secured Claim equal to the full amount
23 of the Allowed Claim. In the event of such an election, the creditor's rights and
24 interests are governed by the provisions of § 1111(b) and §1129(b) of the Bankruptcy
25 Code.
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1 **1. Class 2.01. Lessor Secured Claims.**

2 If Debtor elects to retain the collateral for a Class 2.01 Claim, Debtor shall pay
3 the holder of such Claim the Allowed Amount of such Claim in equal monthly
4 installments, with interest at the Secured Claim Rate, commencing on the Payment
5 Commencement Date. Such payments shall be payable over the term of the original
6 agreement, including any option periods provided for therein. The amount of the
7 monthly payment shall be determined so that the aggregate value of all such
8 payments shall have a present value equal to the Allowed Secured Claim with interest
9 at the Secured Claim Rate. If Debtor makes the election to retain the collateral, the
10 holder of the Claim shall retain its lien on the collateral to secure payment of the
11 amounts provided herein.

12 Alternatively, Debtor may elect, prior to the Effective Date, to surrender the
13 collateral to the holder of the Claim in satisfaction of the Allowed Secured Claim, and
14 shall permit such holder to take possession thereof on or prior to the Effective Date.

15 Class 2.01 Claims are impaired.

16 **2. Class 2.02. Deposit Secured Claims.**

17 Each holder of a Class 2.02 Claim, to the extent such Claim is an Allowed
18 Secured Claim, shall be entitled, on the Effective Date, to apply the deposit held in full
19 satisfaction of the Allowed Secured Claim.

20 Class 2.02 Claims are impaired.

21 **3. Class 2.03. Secured Tax Claims.**

22 Each holder of a Secured Tax Claim shall receive, on account of such Claim,
23 equal quarterly cash payments over a period commencing on the Payment
24 Commencement Date and ending on the fifth (5th) anniversary of the Petition Date.
25 The aggregate of all payments shall equal the Allowed Amount of such Claim plus
26 interest at the Tax Claim Rate from the Petition Date. Each holder of an allowed

1 Secured Tax Claim shall retain its lien on the collateral to secure payment of the
2 amounts provided.

3 Class 2.03 Claims are impaired.

4 **4. Class 2.04. AED Secured Claim.**

5 As described in the Disclosure Statement, the amount of the AED Secured
6 Claim is subject to substantial dispute. First, AED has asserted that the AED Claim
7 should be Allowed in an amount in excess of \$130 million. For reasons discussed in
8 the Disclosure Statement, Debtor believes that the Allowed Amount of the AED Claim
9 should be limited to the amount that AED paid to acquire such Claim, which Debtor
10 believes is approximately \$28 million.

11 Secondly, the amount of the AED Secured Claim is limited to the lesser of (i)
12 the amount of the Allowed AED Claim or (ii) the Creditor Value of such Claim unless
13 the holder of the Claim elects treatment under §1111(b). As further discussed in the
14 Disclosure Statement, is approximately \$27 million to \$35 million, which would
15 establish the Secured Value limit on the amount of the Allowed Secured Claim absent
16 an election under §1111(b). AED has not specified its contention as to the value of
17 the Property.

18 Thirdly, the holder of the AED Secured Claim may be entitled to elect treatment
19 under §1111(b). If the election is applicable, the AED Secured Claim would become a
20 non-recourse claim and the amount of such Claim would be equal to the full Allowed
21 Amount of such Claim. As described above, the full amount of the Claim that may be
22 Allowed ranges from approximately \$28 million to over \$130 million. To satisfy the
23 requirements of §1129(b) with respect to such Claim, the Plan must provide that the
24 holder of the Claim receive payments of an aggregate amount at least equal to the
25 amount of the Allowed Secured Claim and such payments must also have a present
26 value at least equal to the Creditor's Value. Accordingly, compliance with §1129(b)
27 would require payments ranging from approximately \$28 million to over \$130 million

1 and would also require that the present value of such payments be in an amount
2 determined by the Bankruptcy Court as the value of AED's interest in the Property..

3 Given the substantial range of potential requirements, the Plan provides for the
4 following treatment of the AED Secured Claim:

5 **a) Treatment if §1111(b) Not Applicable.**

6 If the holder of the AED Secured Claim has not made the election provided in
7 §1111(b), or such election is otherwise not applicable, Debtor shall make periodic
8 payments to the holder based upon the following:

- 9 • Commencing on the Payment Commencement Date, and continuing
10 thereafter quarterly for eight (8) years, the Reorganized Debtor shall
11 make quarterly payments to the holder of the Class 2.04 Claim, each
12 such payment being equal to the Case 1 Minimum Quarterly Payment,
13 subject, however, to reduction as provided below.
- 14 • Upon the sale of each parcel of the Property, the Reorganized Debtor
15 shall pay the Partial Release Amount for such parcel, subject, however,
16 to reduction as provided below.
- 17 • Notwithstanding the foregoing, the amount of a payment for the quarterly
18 payment or a partial release payment shall be reduced so that, after such
19 payment, the cumulative amount of all payments made hereunder does
20 not exceed the greater of (i) the Cumulative Minimum Payment Amount,
21 or (ii) the Cumulative Partial Release Amount.
- 22 • Notwithstanding the foregoing, the amount of a payment for the quarterly
23 payment or a partial release payment shall be reduced so that, after such
24 payment, the cumulative amount of all payments made hereunder does
25 not exceed the amount of the Allowed AED Secured Claim plus interest
26 at the Secured Rate.

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- Notwithstanding the foregoing, the Reorganized Debtor shall make a final payment on the eighth (8th) anniversary of the Effective Date so that, with such payment, all payments on account of the AED Secured Claim equal the Allowed Amount of the AED Secured Claim with interest at the Secured Claim Rate.

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b) Treatment if §1111(b) is Applicable.

7 If the holder of the AED Secured Claim has made the election provided in §1111(b), and such election is applicable, Debtor shall make periodic payments to the holder based upon the following:

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- Commencing on the Payment Commencement Date, and continuing thereafter quarterly until the Creditor Value Payment Date, the Reorganized Debtor shall make quarterly payments to the holder of the Class 2.04 Claim, each such payment being equal to the Case 2 Minimum Quarterly Payment, subject, however, to reduction as provided below.
 - After the Creditor Value Payment Date, the Reorganized Debtor shall make quarterly payments to the holder of the Class. 2.04 Claim, each such payment being equal to the Case 3 Minimum Quarterly Payment.
 - Upon the sale of each parcel of the Property, the Reorganized Debtor shall make a Sale Payment, each such payment being equal to the Partial Release Amount for such parcel, subject, however, to reduction as provided below.
 - Notwithstanding the foregoing, the amount of a Minimum Quarterly Payment or a Sale Payment shall be reduced so that, after such payment, the cumulative amount of all payments made hereunder does not exceed the greater of (i) the Cumulative Minimum Payment Amount, or (ii) the Cumulative Partial Release Amount.

- 1 • Notwithstanding the foregoing, the amount of a Minimum Quarterly
2 Payment or a Sale Payment shall be reduced so that, after such
3 payment, the cumulative amount of all payments made hereunder does
4 not exceed the amount of the Allowed AED Secured Claim plus interest
5 at the Secured Rate.
- 6 • Notwithstanding the foregoing, the Reorganized Debtor shall make a final
7 payment on the twenty-fifth (25th) anniversary of the Effective Date so
8 that, with such payment, all payments on account of the AED Secured
9 Claim equal the Allowed Amount of the AED Secured Claim with interest
10 at the Secured Claim Rate.

11 Subject to the provisions for partial release of lien on properties as sold the
12 holder of the AED Secured Claim shall retain its lien on the Property to secure
13 payments provided for herein until the amounts provided for herein have been paid in
14 full.

15 **c) Possible Bulk Sale of Major Parcel.**

16 Debtor has recently received an offer to purchase approximately 1247 gross acres
17 of the Property for cash. The offer covers that portion of the Property marked by
18 hatch marks in the lower right hand corner of Exhibit C. Debtor intends to seek
19 Bankruptcy Court approval for the sale. If the sale is approved prior to the Effective
20 Date, the treatment of the Class 2.04 shall be modified as follows:

21 From the sales proceeds, Debtor shall pay the holder of the Class 2.04 the sum
22 of \$5,000,000. The payment shall be credited as a Partial Release Payment and
23 applied as such on the date paid.

24 If the holder of the Class 2.04 Claim exercises any right it may have to credit bid
25 on such sale and is determined to have the highest and best bid, the credit bid shall
26 be applied to the Secured Claim and shall further be credited as a Partial Release
27 Payment.

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d) Possible Property Transfer to Holder of Class 2.04 Claim.

Subject to the consent of the holder of the Class 2.04 Claim, the Class 2.04 Claim shall be treated in accordance with the following terms:

1. The provisions of section V.B.4.c) above shall be applicable if the parcels described therein are sold.

2. The Reorganized Debtor shall retain (i) that portion of the Property subject to the mining lease with Hanson Aggregates, LLC which consists of roughly 1270 acres generally encompassing the wash running north to south on the eastern portion of the property along with all mining revenue derived from said property marked in blue on Exhibit C; and (ii) the approximately 4,115 acres generally marked in blue on Exhibit C that is not subject to the possible bulk sale described in section V.B.4.c) above.

3. In the event the proposed bulk sale described in section V.B.4.c) above is not consummated, Debtor and the holder of the Class 2.04 Claim would split the approximately 1247 gross acres of the Property marked by hatch marks as generally shown on Exhibit C.

4. The balance of the Property, including all property generally marked in pink on Exhibit C will be transferred on the Effective Date to the holder of the Class 2.04 Claim in full satisfaction of all claims it may have against Debtor and its Estate.

The Class 2.04 Claim is impaired.

5. Class 2.05. Sonoran Pacific Secured Claim.

The holder of the Sonoran Pacific Secured Claim shall receive, on account of such Claim, equal quarterly cash payments over a period commencing on the Payment Commencement Date and ending on the third (3rd) anniversary of the Effective Date. The aggregate of all payments shall equal the Allowed Amount of such Claim plus interest at the Secured Claim Rate. The holder of the Sonoran Pacific Secured Claim shall retain its lien on the collateral to secure payment of the amounts provided.

1 The Class 2.05 Claim is impaired.

2 **C. UNSECURED CLAIMS.**

3 Unsecured Claims are treated in accordance with the following provisions.

4 **1. Class 3.01. Inter-Company Claims.**

5 Debtor shall pay each holder of a Class 3.01 Claim, to the extent such Claim is
6 an Allowed Claim, on account of such Claim, cash in the amount of such Allowed
7 Claim, plus interest at the General Claim Rate. Payment shall be due within 30 days
8 after payment of all amounts due under this Plan to the holders of General Claims.

9 The Class 3.01 Claims are impaired.

10 **2. Class 3.02. Investor Claims.**

11 Each holder of an Investor Claim that does not elect to become a Participating
12 Investor shall receive quarterly distributions from the Unsecured Creditor Fund based
13 on such holder's *pro rata* share of the funds available for distribution from such fund,
14 prorated among holders of Allowed Class 3.02, 3.03 and 3.04 Claims, provided,
15 however, that the aggregate payments to such holder shall not exceed the amount of
16 the holders Allowed Claim plus interest at the Unsecured Claim Rate.

17 Each holder of an Investor Claim that elects to become a Participating Investor
18 shall be treated in accordance with the provisions of section VI hereof.

19 The Class 3.02 Claims are impaired.
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3. Class 3.03. AED Unsecured Claim.

Except as may otherwise be provided by agreement or by order of the Bankruptcy Court, the holder of the AED Unsecured Claim shall receive quarterly distributions from the Unsecured Creditor Fund based on such holder's *pro rata* share of the funds available for distribution from such fund, prorated among holders of Allowed Class 3.02, 3.03 and 3.04 Claims, provided, however, that the aggregate payments to such holder shall not exceed the amount of the holders Allowed Claim plus interest at the Unsecured Claim Rate.

The Class 3.03 Claims are impaired.

4. Class 3.04. General Claims.

Each holder of a General Claim shall receive quarterly distributions from the Unsecured Creditor Fund based on such holder's *pro rata* share of the funds available for distribution from such fund, prorated among holders of Allowed Class 3.02, 3.03 and 3.04 Claims, provided, however, that the aggregate payments to such holder shall not exceed the amount of the holders Allowed Claim plus interest at the Unsecured Claim Rate.

The Class 3.04 Claims are impaired.

D. EQUITY INTERESTS.

1. Class 4.01. – Direct Equity Holders.

All interests of a Direct Equity Holder shall be cancelled on the Effective Date and such holder shall receive nothing on account of its interest unless such holder elects to participate in the funding of the Reorganize Debtor, as provided in section VI hereof and complies with its obligations thereunder as such obligations become due up to and through the Effective Date.

Class 4.01 Interests are impaired.

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2. Class 4.02 Conversion Right Holders.

All interests of a Conversion Right Holder shall be cancelled on the Effective Date and such holder shall receive nothing on account of its interest unless such holder elects to participate in the funding of the Reorganized Debtor as provided in section VI hereof and complies with its obligations thereunder as such obligations become due up to and through the Effective Date.

Class 4.03 Interests are impaired.

VI. MANNER OF MAKING ELECTIONS.

This Plan provides that Eligible Holders may elect the treatment of their Claims and Interest. This section sets forth the manner in which such elections may be made.

A. DEADLINE.

Except as may otherwise be agreed to by Debtor and an Eligible Holder, an election to be a Participating Investor or a Participating Equity Holder must be made by September 25, 2012, unless the Debtor or the Court specifies a later date for such election. The election shall be evidenced in writing by notice to Debtor in accordance with the terms of this Plan and shall indicate the Claim or Interest for which such election is made.

B. CONSEQUENCE OF ELECTION.

An election, once made, constitutes a binding offer from the Eligible Holder as follows:

- To vote in favor of the Plan;
- To become a member of the Reorganized Debtor on the terms provided herein and to consent to the membership of other Eligible Holders making the election and complying with the terms of the Plan.
- To pay to the Reorganized Debtor the amounts provided for herein on or before the dates specified herein.

- 1 • To be bound by the terms of a revised Operating Agreement which shall
2 include a provision prohibiting the issuance of nonvoting equity interests
3 and shall further provide that all members of the reorganized Debtor will
4 enjoy an appropriate distribution of voting power.

5 The offer shall be deemed withdrawn upon the first to occur of the following:

- 6 • An order is entered by the Bankruptcy Court (a) denying approval of the
7 Plan, (b) providing for stay relief to AED to complete a foreclosure of its
8 lien, (c) appointing a trustee in the Chapter 11 Case, (d) converting these
9 proceedings to Chapter 7 proceedings, or (e) dismissing these
10 proceedings;
11 • A Confirmation Order is not entered confirming the Plan on or before
12 January 31, 2013;
13 • A confirmation order is entered confirming a competing plan;
14 • Debtor modifies the Plan in a manner that materially and adversely
15 affects the treatment of the Eligible Holder's Claim or Interest unless such
16 Eligible Holder consents to such modifications.

17 Notwithstanding the foregoing, an Eligible Holder may change its election at any
18 time and from time to time prior to the Confirmation Date with the consent of Debtor

19 **VII. FUNDING PROVISIONS.**

20 The Plan contemplates that funding for the operations of the Reorganized
21 Debtor will be obtained, in part, from equity contributions made by Eligible Holders
22 and, in part, from funds loaned to the Reorganized Debtor from a third party lending
23 source. This section sets forth the relative funding obligations of Eligible Holders who
24 elect to participate in this funding.
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1 **A. FUNDING OBLIGATIONS.**

2 Except as provided in subsection B below, the aggregate funding obligations
3 from third party lending sources and from Eligible Holders electing to participate shall
4 equal \$20 million and shall be payable as follows:

- 5 • Before Confirmation Date -- \$3 million.
- 6 • Before Effective Date -- \$4 million.
- 7 • Before First Anniversary of Effective Date -- \$5 million.
- 8 • Before Second Anniversary of Effective Date -- \$5 million.
- 9 • Before Third Anniversary of Effective Date -- \$3 million.

10 **B. ALLOCATION OF FUNDING COMMITMENTS.**

11 An Eligible Holder who elects to participate in the funding of the Reorganized
12 Debtor shall be obligated to pay its *pro rata* share of the following committed amounts:

- 13 • Before Confirmation Date -- \$3 million.
- 14 • Before Effective Date -- \$ 2 million.
- 15 • Before First Anniversary of Effective Date -- \$4 million.
- 16 • Before Second Anniversary of Effective Date -- \$4 million.
- 17 • Before Third Anniversary of Effective Date -- \$2 million.

18 The *pro rata* share of each Eligible Holder of these Equity Commitment
19 Amounts shall be set initially at such holder's pro rata share multiplied by 2. Each
20 holder's Allocated Share shall be determined based on such holder's pro rata share of
21 the allocations among Direct Equity Holders set forth on Exhibit B.

22 Possible Funding Commitment Reductions.

23 If the sale referred to in section V.B.4.c) hereof is completed, the commitment
24 amount due before the Effective Date will be reduced to \$2 million and the
25 commitment amount due on the anniversaries of the Effective Date shall each be
26 reduced by \$1 million.

 If the transfer referred to in section V.B.4.d) is completed, the commitments
referred to in this section shall be adjusted to the following:

- 1 • Before Confirmation Date -- \$3 million.
- 2 • Before Effective Date -- \$ 1 million.
- 3 • Before First Anniversary of Effective Date -- \$1 million.
- 4 • Before Second Anniversary of Effective Date -- \$1 million.
- 5 • Before Third Anniversary of Effective Date -- \$1 million.

6 **C. REALLOCATIONS.**

7 To the extent that elections to participate result in funding commitments
8 exceeding \$20 million, the amount of allocations will be adjusted to permit *pro rata*
9 participation. To the extent that elections to participate are insufficient, electing
10 participants will be permitted to subscribe to additional equity portions.

11 **VIII. DISTRIBUTIONS FROM UNSECURED CREDITOR FUND.**

12 Beginning on the Payment Commencement Date and continuing thereafter
13 while payments remain due hereunder, the Reorganized Debtor will deliver the
14 Unsecured Creditor Fund Amount to the Disbursing Agent to be distributed in
15 accordance with the following provisions:

16 The Disbursing Agent shall distribute, or reserve the funds allocated pro rata
17 among the following Allowed Unsecured Claims: (i) the AED Unsecured Claim, if any
18 (ii) the Investor Claims that have not elected to participate in the funding of the
19 Reorganized Debtor; (iii) the Investor Claims that have elected to participate in the
20 funding, based upon the Allowed Amount of the Claims attributable to accrued and
21 unpaid interest; and (iii) the General Claims.

22 The Disbursing Agent shall not make a distribution to a holder of a claim that
23 has already received the full amount of its Claim with interest at the Plan Rate.

24 **IX. ALLOWANCE, ESTIMATION AND PAYMENT OF CLAIMS.**

25 **A. CATEGORIZATION OF CLAIMS.**

26 A Claim shall be an Allowed Claim, an Estimated Claim, a Disallowed Claim or
27 a Reserved-For Claim, based on the following provisions.

1 **1. Allowed Claims.**

2 A Claim shall be **Allowed** only if, and to the extent, the Claim has been Timely
3 Submitted, Allowable, and Determined, in accordance with the following:

4 **a) Timely Submitted.**

5 A Claim shall be Timely Submitted if at least one of the following applies to such
6 Claim:

- 7 • *Scheduled.* The Claim is listed on the Schedules, and is not listed as
8 contingent, unliquidated, or disputed, and is not included within a Proof of
9 Claim;
- 10 • *Proof of Claim.* The Claim is reflected in a Proof of Claim filed by the Bar
11 Date applicable to such Claim;
- 12 • *Otherwise Timely Submitted.* The Claim has been determined, by Final
13 Order of the Bankruptcy Court, to be timely filed;
- 14 • *Informal Proof of Claim.* The Claim has been determined, by Final Order
15 of the Bankruptcy Court, to be the subject of a timely "informal Proof of
16 Claim";
- 17 • *No Proof of Claim Required.* The Claim has been determined, by Final
18 Order of the Bankruptcy Court, to be deemed timely submitted, without a
19 Proof of Claim.

20 **b) Allowable.**

21 A Claim shall be considered Allowable if at least one of the following applies to
22 such Claim:

- 23 • *No Objection.* The Claim is Timely Submitted and is not the subject of a
24 pending Timely Objection;
- 25 • *Sustained Claim.* The Claim has been Allowed, after consideration of all
26 Timely Objections, by Final Order of the Bankruptcy Court.

1 **c) *Determined.***

2 A Claim, and the amount thereof, shall be Determined if one of the following
3 applies to such Claim:

- 4 • *No Objection.* The Claim is Timely Submitted and Allowable, and the
5 amount thereof is not subject to a Timely Objection;
- 6 • *Sustained Amount.* The amount of the Claim has been liquidated, after
7 consideration of all Timely Objections, by Final Order of the Bankruptcy
8 Court.

9 **2. Estimated Claims.**

10 A Claim shall be an Estimated Claim if the Claim is not an Allowed Claim, and
11 the Bankruptcy Court has entered an order estimating the Claim for distribution
12 purposes.

13 **3. Disallowed Claims.**

14 A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or
15 has been disallowed by order of the Bankruptcy Court.

16 **4. Reserved-For Claims.**

17 A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim, an
18 Estimated Claim, or a Disallowed Claim. Each Reserved-For Claim shall be
19 considered, for purposes of determining *pro rata* distributions, to be in an amount
20 equal to (i) the amount listed on the Schedules, if no proof of claim has been filed, or
21 (ii) the amount listed on a proof of claim.

22 **B. OBJECTIONS AND BAR DATE FOR FILING OBJECTIONS.**

23 Except as provided above, an objection to a Claim shall be a Timely Objection if
24 filed with the Bankruptcy Court, and served upon the holder of such Claim pursuant to
25 the Bankruptcy Code and Bankruptcy Rules, by any deadline for such objections set
26 by order of the Bankruptcy Court. Any party in interest may file an objection to a

1 Claim but the primary responsibility for objecting to claims shall be with the
2 Reorganized Debtor.

3 **C. SETTLEMENT OF CLAIMS.**

4 Settlement of any objection to a Claim not exceeding \$5,000 shall be permitted
5 on the 11th day after notice of the settlement has been provided to the Reorganized
6 Debtor, and the Disbursing Agent, the settling party, and other persons specifically
7 requesting such notice, and if on such date there is no written objection filed, such
8 settlement shall be deemed approved. In the event of a written objection to the
9 settlement, the settlement shall be effective upon the entry of an order resolving the
10 objection to the settlement.

11 **D. CALCULATION AND PAYMENT OF PRO RATA DISTRIBUTIONS.**

12 If this Plan provides for a distribution *pro rata* to holders of Claims in a particular
13 Class or group of Classes, the amount potentially distributable to each holder shall be
14 determined by prorating the payment due among all Allowed, Estimated and
15 Reserved-For Claims in the Class or group of Classes. The Reorganized Debtor
16 and/or the Disbursing Agent shall make the distributions so calculated to holders of
17 Allowed and Estimated Claims and shall not make the distributions so calculated to
18 holders of Reserved-For Claims.

19 **E. PAYMENTS TO HOLDERS OF RESERVED-FOR CLAIMS.**

20 Within 90 days after the entry of an order of the Bankruptcy Court that results in
21 a Reserved-For Claim becoming an Allowed Claim, Debtor, or the Disbursing Agent,
22 shall pay any amounts that have been withheld from previous disbursements on
23 account of such Claim.

24 **F. NON-PAYMENT ON ACCOUNT OF PENALTIES AND FINES.**

25 Except as specifically provided by order of the Bankruptcy Court, no distribution
26 shall be made on account of any fine, penalty, exemplary or punitive damages, late
27 charges or other monetary charge relating to or arising from any default or breach by

1 a Debtor, and any claim on account thereof shall be treated hereunder as such and
2 disallowed to the extent of such fine, penalty, exemplary or punitive damages, late
3 charges or other default-related charge, whether or not an objection is filed to it.

4 **X. LEASES AND EXECUTORY CONTRACTS.**

5 All leases and other executory contracts not assumed on or prior to the
6 Effective Date shall be rejected as of the Effective Date, unless specific written notice
7 of intent to assume is mailed or delivered to the lessor or other contracting party
8 before the Effective Date. In the event of assumption, all pre-petition defaults will be
9 cured on the Effective Date except as otherwise provided herein. In the event of
10 rejection, the bar dates established by the Court as further described in the Disclosure
Statement will apply.

11 **XI. CERTAIN DETERMINATIONS AT CONFIRMATION.**

12 At or before the Confirmation Hearing, Debtor may request the Bankruptcy
13 Court to make the findings necessary to confirm the Plan and shall also request the
14 Court to determine other matters provided for herein. These matters may include,
15 without limitation, any or all of the following:

- 16 • The amount of Allowed Secured Claims under § 506(a).
- 17 • The amount of the Secured Claim Rate.
- 18 • The amount of the General Claim Rate.
- 19 • The Amount of the Tax Rate.
- 20 • Any issues regarding the treatment of claims.
- 21 • The appointment of a Disbursing Agent.
- 22 • The propriety of any stipulations or settlements regarding the amount of
23 Allowed Claims or the treatment of Claims in a manner different than
provided for herein, pursuant to § 1123(a)(4) of the Bankruptcy Code.
- 24 • The propriety of the assumption or rejection of leases and executory
25 contracts, and the terms thereof.
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- The propriety of any modification of the Plan proposed by Debtor.

XII. THE DISBURSING AGENT.

Distributions to holders of Allowed Claims shall be administered by a Disbursing Agent pursuant to the provisions of this Article XII.

A. APPOINTMENT.

One or more Disbursing Agents shall be appointed pursuant to the Confirmation Order or subsequent order of the Bankruptcy Court. The Disbursing Agent shall, among other things, act instead of and as the nominee of the holders of Claims and Interests, receive payments from Debtor, and make all payments and distributions to creditors contemplated by the Plan.

B. COMPENSATION OF THE DISBURSING AGENT.

A Disbursing Agent shall not be entitled to compensation for services rendered. If any reimbursement of expenses is sought by the Disbursing Agent, the same shall be subject to the approval of the Bankruptcy Court.

C. REORGANIZED DEBTOR AS DISBURSING AGENT.

The Reorganized Debtor may be appointed as Disbursing Agent pursuant to the Confirmation Order to act in all such things as are required of the Disbursing Agent.

D. DISTRIBUTIONS ON ACCOUNT OF CLAIMS.

Prior to each date upon which payments are due under the Plan, the Disbursing Agent shall advise Debtor of (i) the amounts of any Claims entitled to disbursements, (ii) the amounts of payments required to each holder of a Claim entitled to disbursement, and (iii) the amounts, if any, that are subject to reserves under the terms of this Plan. Disbursements shall be made in accordance with the information provided and may be made by Debtor or by the Disbursing Agent.

1 **E. LIMITED LIABILITY OF DISBURSING AGENT.**

2 The Disbursing Agent shall not be liable to the holder of a Claim for distributions
3 unless the Disbursing Agent has received the funds to make such distribution from
4 Debtor.

5 **XIII. CONDITIONS PRECEDENT TO EFFECTIVE DATE.**

6 The following are conditions precedent to the occurrence of the Effective Date:

7 **A. ENTRY OF CONFIRMATION ORDER.**

8 The Confirmation Order has been entered, the effect of such order has not been
9 vacated, and the order is not stayed.

10 **B. EXECUTION OF DOCUMENTS.**

11 All documents necessary and appropriate to effectuate the Plan shall have been
12 executed and delivered by all parties.

13 **C. CORPORATE ACTION.**

14 All corporate actions of Debtor shall be properly completed by the Effective
15 Date.

16 **D. LISTING OF ASSUMED LEASES AND EXECUTORY CONTRACTS.**

17 Debtor shall have filed a listing of all leases and executory contracts intended to
18 be assumed, unless the other party to such contract shall have agreed to an extension
19 of the time to assume or reject such contract.

20 **E. DESIGNATION OF EFFECTIVE DATE.**

21 Debtor shall have filed a designation of the date upon which the Plan is to
22 become effective. Debtor may designate the Effective Date as any date (i) more than
23 11 days after the entry of the Confirmation Order and (ii) not more than 90 days after
24 (a) the entry of the Confirmation Order or, if later, (b) any stay of the Confirmation
25 Order has expired or been vacated; **PROVIDED**, the Bankruptcy Court may extend
26 the period of time for designation of the Effective Date for up to an additional 90 days,
for good cause shown, after notice to the U.S. Trustee, the Committee, the holders of

1 Secured Claims, and any other party specifically requesting notice of a request for
2 extension of the deadline for designating the Effective Date.

3 **F. COMPLIANCE WITH CONFIRMATION ORDER.**

4 Debtor has complied with any other conditions to effectiveness of the Plan as
5 may be imposed in the Confirmation Order.

6 **XIV. CONDITIONS PRECEDENT TO DISTRIBUTIONS**

7 The Disbursing Agent may, as a condition to making distributions on account of
8 Claims require the holder of the Claim to return and cancel instruments respecting
9 such Claim.

10 **XV. UNCLAIMED FUNDS.**

11 For a period of one year from the Effective Date, the Disbursing Agent shall
12 retain any distribution of funds otherwise distributable hereunder remaining unclaimed.
13 Thereafter, any unclaimed funds resulting will be paid over to the Reorganized Debtor.

14 **XVI. RETENTION OF JURISDICTION.**

15 The Bankruptcy Court will retain jurisdiction to insure that the purposes and
16 intent of the Plan are carried out. Without limiting the generality of the foregoing, the
17 Bankruptcy Court will retain jurisdiction, until the Plan is fully consummated, for the
18 following purposes:

19 **A. CLAIMS DETERMINATION.**

20 The Bankruptcy Court shall retain jurisdiction to determine the classification,
21 allowance, subordination and liquidation of Claims (including Administrative Claims)
22 and Interests, and the reexamination of Allowed Claims for purposes of determining
23 acceptances at the time of Confirmation, and the determination of such objections as
24 may be filed. The failure by the Reorganized Debtor to object to or to examine any
25 Claim for the purpose of determining Plan acceptance, shall not be deemed to be a
26 waiver of any right to object to or reexamine any Claim in whole or in part.

1 **B. ESTATE ASSETS.**

2 The Bankruptcy Court shall retain jurisdiction to determine all questions and
3 disputes regarding title to the assets of the Estate, and all causes of action,
4 controversies, disputes, or conflicts, known or unknown, whether or not subject to
5 action pending as of the Confirmation Date, between Debtor and any other party,
6 including but not limited to, such Debtor's right to recover assets, avoid transfers,
7 recover fraudulent transfers, offset claims, recover money or property from any party
8 or return assets which were or are the property of the Estate pursuant to the
9 provisions of the Bankruptcy Code.

10 **C. EXECUTORY CONTRACTS.**

11 The Bankruptcy Court may determine all matters relating to the assumption,
12 assignment, or rejection of executory contracts and unexpired leases, including claims
13 for damages from the rejection of any executory contract or unexpired lease within
14 such time as the Bankruptcy Court may direct.

15 **D. UNLIQUIDATED CLAIMS.**

16 The Bankruptcy Court may liquidate or estimate damages or determine the
17 manner and time for such liquidation or estimation in connection with any contingent,
18 disputed, or unliquidated Claims.

19 **E. PLAN CORRECTIONS.**

20 The Bankruptcy Court may authorize the correction of any defect, the curing of
21 any omission, or the reconciliation of any inconsistency in the Plan, the Confirmation
22 Order, or any and all documents executed or to be executed in connection therewith,
23 as may be necessary to carry out the purposes and the intent of the Plan, on such
24 notice as the Bankruptcy Court shall determine to be appropriate.

25 **F. PLAN MODIFICATIONS.**

26 The Bankruptcy Court shall have jurisdiction to authorize a modification of the
27 Plan after Confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code.

1 **G. ADVERSARY PROCEEDINGS.**

2 The Bankruptcy Court may adjudicate all claims, controversies, contested
3 matters or adversary proceedings arising out of any purchases, sales, agreements or
4 obligations made or undertaken by and between a Debtor and any third party during
5 the pendency of this Chapter 11 Case and such jurisdiction shall continue after the
6 closing of this case.

7 **H. PLAN INTERPRETATION.**

8 The Bankruptcy Court may enforce and interpret the terms and conditions of the
9 Plan and all controversies and disputes that may arise in connection with the
10 enforcement, interpretation or consummation of the Plan.

11 **I. DEADLINES.**

12 The Bankruptcy Court may shorten or extend, for cause, the time fixed for doing
13 any act or thing under the Plan, on such notice as the Bankruptcy Court shall
14 determine to be appropriate.

15 **J. DISCHARGE INJUNCTIONS.**

16 The Bankruptcy Court may enter any order, including injunctions, necessary to
17 enforce the title, rights, and powers of the Reorganized Debtors, and to impose such
18 limitations, restrictions, terms and conditions on such title, rights, and powers as the
19 Bankruptcy Court may deem appropriate.

20 **K. ADDITIONAL MATTERS.**

21 The Bankruptcy Court may determine such other matters as may be provided in
22 the Confirmation Order or as may be authorized under the Bankruptcy Code.

23 **L. CASE CLOSING.**

24 The Bankruptcy Court may enter an order closing this Chapter 11 Case at any
25 time after substantial consummation of the Plan. Unless otherwise ordered by the
26 Court, the closing of the case shall not affect the Court's pendency of any adversary

1 proceeding or contested matter and shall not limit the Court's reserved jurisdiction
2 under this Article or under the Bankruptcy Code or other applicable statute.

3 **XVII. MODIFICATION OF THE PLAN.**

4 In addition to the modification rights under § 1127 of the Bankruptcy Code,
5 Debtor may propose amendments to, or modifications of, this Plan at any time prior to
6 entry of the Confirmation Order, with leave of the Bankruptcy Court, upon such notice
7 as may be prescribed by the Court. After entry of the Confirmation Order, Debtor
8 may, with the approval of the Court, and so long as it does not materially or adversely
9 affect the interest of creditors, cure any omission, correct any defect, or reconcile any
10 inconsistencies in the Plan, the Confirmation Order, or any and all documents
11 executed or to be executed in accordance therewith, in such manner as may be
12 necessary to carry out the purposes and intent of this Plan.

12 **XVIII. EFFECT OF CONFIRMATION.**

13 **A. DISCHARGE OF CLAIMS.**

14 Except as otherwise provided in the Plan or the Confirmation Order, entry of the
15 Confirmation Order acts as a discharge, effective as of the Effective Date, of any and
16 all debts, obligations, liabilities and claims, whether contingent or otherwise, of Debtor
17 that arose at any time before the Effective Date, including, but not limited to, all
18 interests in Debtor, and all principal and any and all interest accrued thereon,
19 pursuant to § 1141(d)(1) of the Bankruptcy Code. The discharge of Debtor shall be
20 effective as to each Claim, regardless of whether a proof of claim thereof was filed,
21 whether or not the Claim is an Allowed Claim, or whether the holder thereof voted to
22 accept the Plan.

23 **B. VESTING OF ASSETS.**

24 Except as otherwise provided in the Plan or the Confirmation Order, or in any
25 Order of the Bankruptcy Court entered pursuant to 11 USC section 506, entry of the
26 Confirmation Order shall vest in Debtor, as of the Effective Date, all assets acquired or

1 retained by it pursuant to this Plan, free and clear of all liens, claims and
2 encumbrances.

3 **XIX. MISCELLANEOUS.**

4 **A. NOTICES.**

5 All notices, requests, or demands for payment provided for in the Plan shall be
6 in writing and shall be deemed to have been given to Debtor when personally
7 delivered by hand, or deposited in any general or branch post office of the United
8 States Postal Service, or received by telecopy. Notices, requests and demands for
9 payment shall be addressed to the attention of Debtor and sent postage prepaid or
10 delivered to:

11 David Cavan
12 15300 N. 90th Street, Suite 200
13 Scottsdale, Arizona 85260

14 With Copy to:

15 Alan Meda, Esq.
16 1850 N. Central Avenue, Suite 2100
17 Phoenix, Arizona 85004
18 Email ameda@stinson.com

19 The addresses provided for above may be changed, at any time and from time
20 to time, by a notice filed with the Bankruptcy Court in these proceedings.

21 **B. HEADINGS.**

22 The headings used in the Plan are inserted for convenience only and shall not
23 affect the interpretation of the Plan.

24 **C. TIME IS OF THE ESSENCE.**

25 Time is of the essence in the interpretation and enforcement of this Plan.
26 Without limiting the generality of such statement, the rights provided hereunder are

1 intended to expire immediately upon the expiration of the period provided for herein,
2 and are intended not to be extended under § 362 or § 105 of the Bankruptcy Code for
3 any reason.

4 **D. CONFIRMATION WITHOUT ACCEPTANCE OF ALL CLASSES.**

5 Debtor will request the Bankruptcy Court to confirm the Plan notwithstanding
6 the rejection of the Plan by an impaired Class, pursuant to the provisions of § 1129(b)
7 of the Bankruptcy Code.

8 RESPECTFULLY SUBMITTED this 3d day of August, 2012.

9 **STINSON MORRISON HECKER LLP**

10 /s/ Alan A. Meda

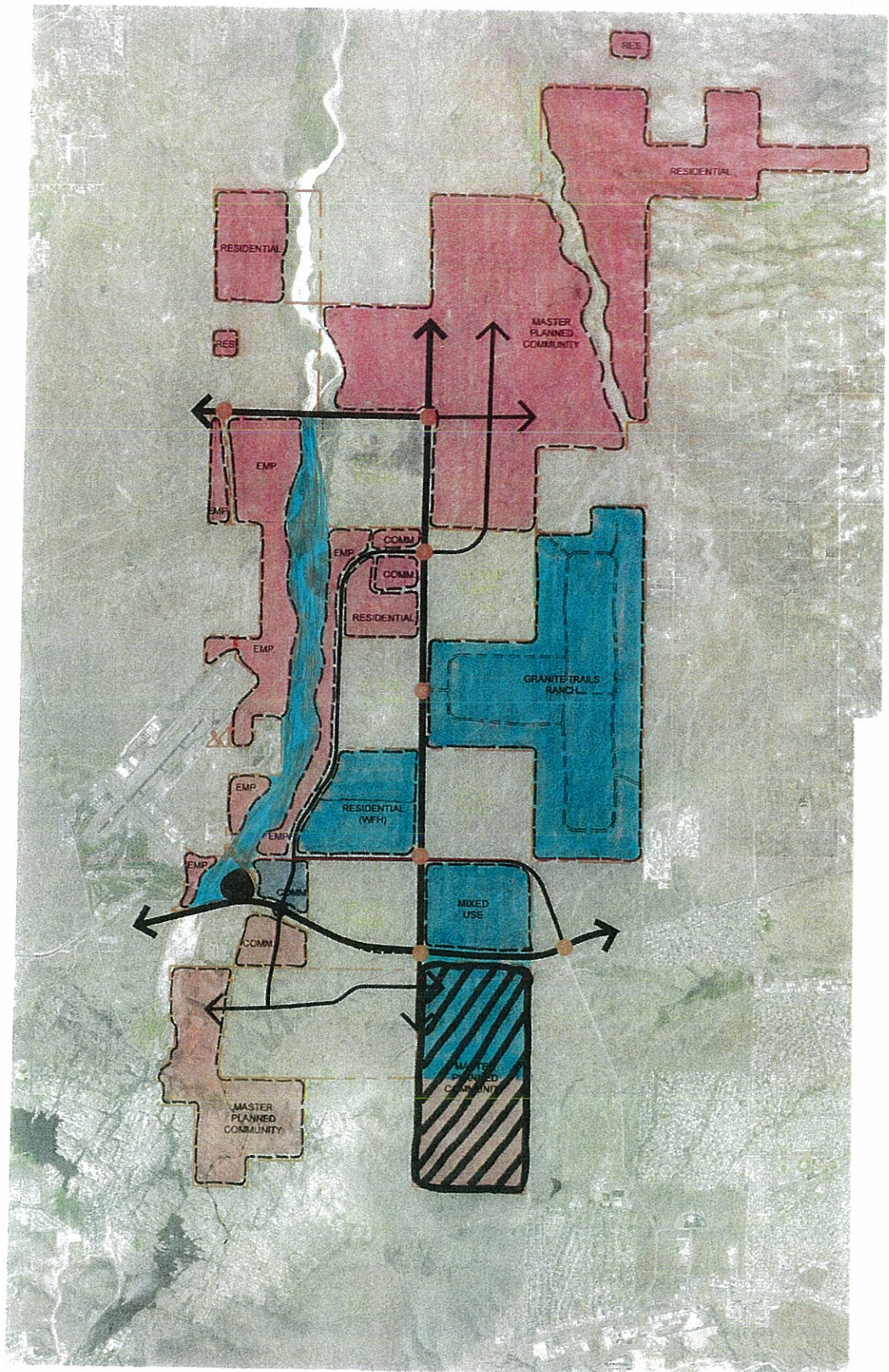
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**EXHIBIT A TO PLAN
PARTIAL RELEASE AMOUNT**

Parcel Description	Total Acres in Parcel	% Creditor Value Per Acre	Release % Per Acre	Release Price Total Parcel
1 Residential Lots in 930 acre SW portion	625	0.01627%	0.02034%	12.7125%
2 Commercial Lots in 930 acre SW portion	20	0.06350%	0.07938%	1.5875%
3 Resort/Special Parcel in 930 acre SW portion	50	0.08040%	0.10050%	5.0250%
4 Unuseable portion of 930 acres in SW portion	235	0.00000%	0.00000%	0.0000%
5 Commercial acreage near 89A interchange	400	0.08015%	0.10019%	40.0750%
6 Industrial acreage near 89A interchange	100	0.04670%	0.05838%	5.8375%
7 Commercial/apartment in 1200 acres in PV	80	0.05603%	0.07003%	5.6027%
8 Residential portion of 1200 acres in PV	1,120	0.02273%	0.02841%	31.8169%
9 ADOT freeway alignment	218	0.01784%	0.02231%	4.8625%
10 2600 residential acres in Prescott Valley	2,600	0.00095%	0.00118%	3.0803%
11 Section 31 mall site Prescott Valley	600	0.01025%	0.01281%	7.6875%
12 Balance of property	8,915	0.00060%	0.00075%	6.7125%
Totals	14,963			

EXHIBIT B TO PLAN
EQUITY CONTRIBUTION ALLOCATIONS

Member or Conversion Holders	Percentage	Amount
CMS	20.00%	6,000,000
Tri City	20.00%	6,000,000
GDI	25.00%	7,500,000
GDEG	10.00%	3,000,000
Participating Investors	25.00%	7,500,000
Totals	100.00%	30,000,000

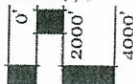


AERIAL & TOPO EXHIBIT

GRANITE DELLS
YAVAPAI COUNTY, ARIZONA



SCALE: (+/-)



NORTH



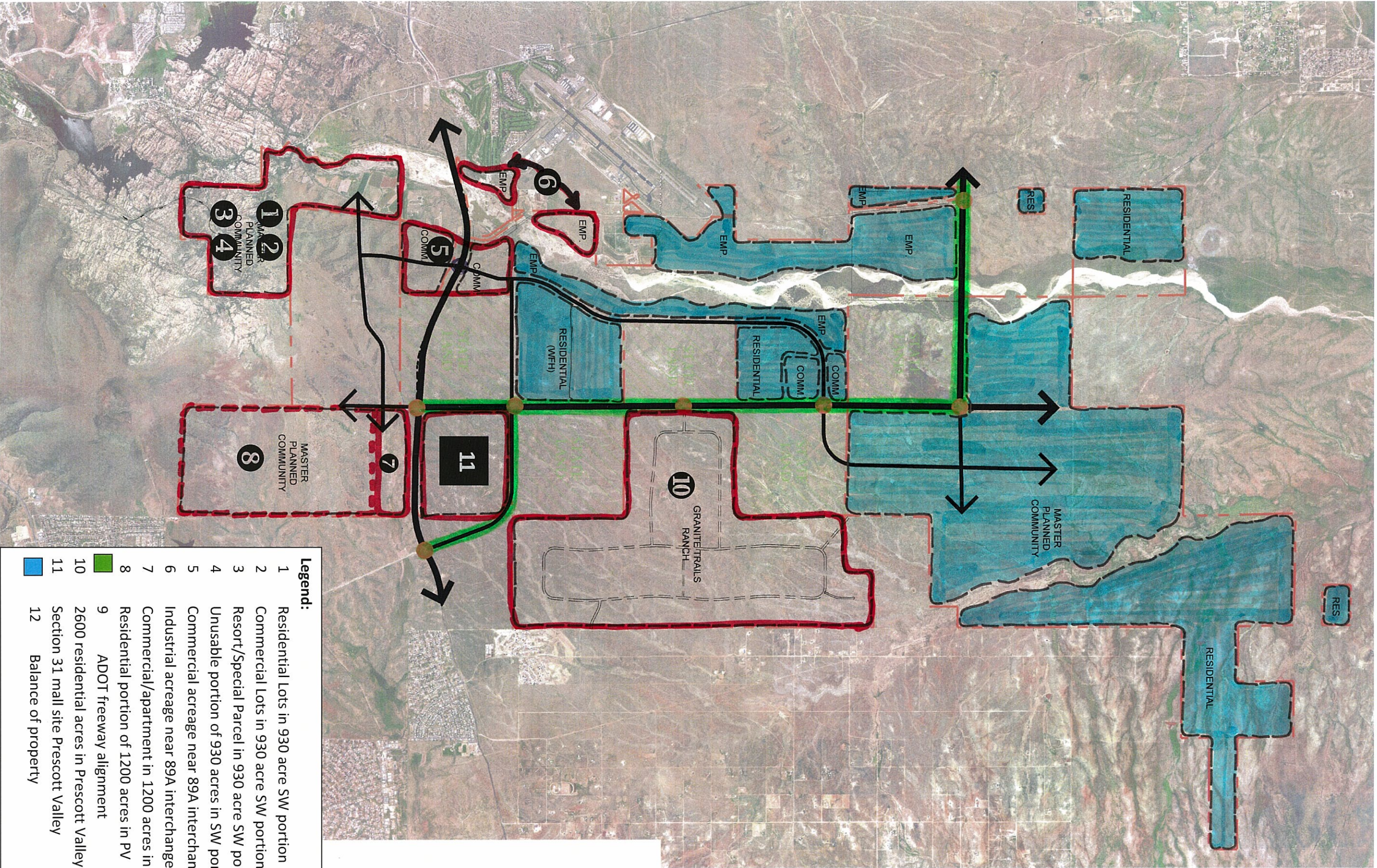
DATE: 1-14-08
JOB: 0475
BY: PR

EXHIBIT 2

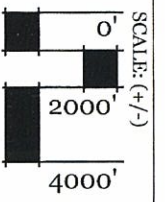
GRANITE DELLS

YAVAPAI COUNTY, ARIZONA

AERIAL & TOPO EXHIBIT



- Legend:**
- 1 Residential Lots in 930 acre SW portion
 - 2 Commercial Lots in 930 acre SW portion
 - 3 Resort/Special Parcel in 930 acre SW portion
 - 4 Unusable portion of 930 acres in SW portion
 - 5 Commercial acreage near 89A interchange
 - 6 Industrial acreage near 89A interchange
 - 7 Commercial/apartment in 1200 acres in PV
 - 8 Residential portion of 1200 acres in PV
 - 9 ADOT freeway alignment
 - 10 2600 residential acres in Prescott Valley
 - 11 Section 31 mall site Prescott Valley
 - 12 Balance of property



DATE: 1-14-08
 JOBS: 0475
 BY: PR



EXHIBIT 3

**EXHIBIT 3 TO AMENDED DISCLOSURE STATEMENT
DATED AUGUST 3, 2012**

DESCRIPTION OF AED CLAIMS DISPUTE

As described in the Disclosure Statement, AED was formed by, and has been under the control of, Stuart Swanson since its formation in January 2012. AED was used by Mr. Swanson to complete the purchase of Debtor's promissory note held by the Original Owners that Mr. Swanson negotiated in December 2011, and Mr. Swanson provided the funds to AED to complete the purchase.

At the time of Mr. Swanson's negotiation of the note purchase and the consummation of the purchase by AED, Mr. Swanson was a member of Tri-City and had effective control of the interest held by his mother's partnership. Mr. Swanson had previously entered into note purchase agreements with Mr. Fann and was, with Mr. Fann, developing and selling property adjacent to Debtor's Property. Since at least March 2011, Mr. Fann and Mr. Swanson had entered into an agreement in principle to seek to acquire all or a portion of Debtor's property. Together, Mr. Fann and Mr. Swanson had effective control of Tri-City and had the ability to control actions of Tri-City as a member of Debtor. Thus, Mr. Swanson had sufficient control over Debtor to be considered an insider and fiduciary of Debtor.

At the same time, Mr. Swanson had obtained substantial access to Debtor's confidential information, particularly including information about Debtor's negotiations with the Original Owners regarding the discounted purchase of the Original Owner's note. Moreover, at critical points in these negotiations, Mr. Swanson had interjected himself and become, initially, a joint participant with Debtor in these negotiations and, then suddenly, a competitor of Debtor in these negotiations. Finally, Mr. Swanson used his Debtor insider status to communicate negative and misleading information regarding Debtor to the Original Owners, for the purpose of obtaining an advantage in this competition to acquire the note.

Under these circumstances, Mr. Swanson owed fiduciary duties to Debtor and these fiduciary duties prohibited him from acquiring the Original Owner's Note on his own account. Instead, under applicable state law, Mr. Swanson's acquisition of the note must be conclusively presumed to be for the benefit of Debtor and inures to the benefit of Debtor.¹ Mr. Swanson is therefore entitled to reimbursement for his expenses in

¹ See generally 76 AM JUR 2d *Trusts* § 524: "It is a broad rule followed in many jurisdictions that any purchase by a trustee for his or her own benefit of an outstanding title, claim to, or interest in, the trust property, whether at a judicial, execution, foreclosure, private, or other sale by, or brought about by, another, is presumed to be for, and inures to, the benefit of the trust estate and the beneficiaries, at their election, irrespective of actual good faith or fraud on the part of the trustee; but where the trust estate takes the benefit of the purchase, the trustee is entitled to reimbursement for his or her expenditures, at least where he or she acted in good faith to protect the trust estate in the purchase."

"

acquiring the claim but is entitled only to the amount he paid for the claim², which Debtor believes is \$28 million.

This state law principle is particularly applicable when the "trustee" is an officer, director, or control person of a corporation and the corporation is insolvent.³ See, e.g., *In re Bridgford Co.*, 237 F.2d 182 (9th Cir. 1956):

It has, of course, long been established that officers, directors and attorneys of a corporation are fiduciaries and that they should be held responsible for any breach of duties as such. They may not, while the corporation is insolvent, purchase claims against it at a discount and then enforce such claims at their full face value.

The principle is fully applicable in determining the allowed amount of an insider's claim when that claim has been purchased at a discount. See, e.g., *In re Norcor Mfg. Co.*, 109 F.2d 407,411 (7th Circ. 1940):

"Thus, the question presented is whether the Norcor Company is entitled to maintain a claim based upon the total face amount of the claims assigned to it, or merely upon the total consideration actually paid for such claims. It is argued that Krueger and his attorney Lehner sustained such a fiduciary relation with the debtor corporation as would preclude them from purchasing claims of creditors at a small fraction of their face value, and using them as the foundation for a claim in excess of that actually paid therefor. We think this argument is sound."

See also *Committee of Creditors Holding Unsecured Claims v. Citicorp Venture Capital, Ltd. (In re Papercraft Corp.)*, 165 B.R. 980, 984(W.D. Bankr. Pa. 1994) (holding that amount of claim is based on insider's purchase price and claim in that amount is treated on a par with other allowed claims. This decision was modified on appeal to permit equitable subordination of the claim, see 323 F.3d 228 (3rd Cir. 2002):

"CVC was able to purchase claims and had access to inside information, which was unavailable to other buyers or to the sellers, regarding the potential returns on and value of the notes purchased. It is the access to inside information which removes the purchase from the category of arm's length transactions and results in limitations on insiders' claims being

² See, 18B Am Jur 2d Corporations § 1557 "a corporate officer's purchase of a corporate mortgage at a substantial discount will extinguish the corporation's liability for the debt and will leave the officer with only a claim against the corporation for the money that was advanced in acquiring the mortgage and reasonable expenses."

³ See, 18B Am Jur 2d Corporations § 1557 " Where an officer or a director of a corporation purchases a claim against it in good faith for the purpose of conserving the assets of the corporation and not for his or her personal interest, the officer or director is entitled to the benefit of any liens or securities for the purpose of enforcing payment thereof. . . . However, where the bona fides of the transaction are not clear, the purchaser's rights against the debtor corporation will be subordinated to those of other creditors."

applied to CAVE. . . . We hold that because CVC is an insider its distribution through the plan of reorganization is limited to no more than the amount CVC actually paid for the notes it purchased."

See generally 6-94 Collier Bankruptcy Practice Guide:

Some courts have held that once a corporation becomes insolvent, its directors become fiduciaries of the corporation's creditors. As a fiduciary, a director may not profit at the expense of her beneficiaries—here, the remaining creditors—by enforcing claims purchased at a discount for their full face amount. State courts have, therefore, traditionally prohibited directors of insolvent corporations from enforcing at full face value any claims against the corporation which the director had purchased at a discount. The director was allowed to enforce such a claim only at the price paid for the claims, plus interest.

By allowing such claims at the amount paid by the director, plus interest, the court increased distributions to creditors..The rule applied even if the director was *given* the claims, in which case they were allowed at zero.

See also *In Re Washington Mutual, Inc.*, 2011 WL 4090757 (Bankr. D. Del. 2011).

In addition to the general discussion above, special counsel for Debtor has identified several state law claims which may be asserted pursuant to the above dispute including, without limitation: fraud, negligent misrepresentation, breach of fiduciary duty, breach of the implied covenant of good faith and fair dealing, aiding and abetting, racketeering, civil conspiracy, tortious interference with business expectancy.

EXHIBIT 4

Granite Dells Ranch Holdings, LLC
Income Statement
December 31, 2011

Income

Grazing Revenue	\$63,763
Mining Revenue	1,353,641
Other Income	2,500
Interest Income	41,753
Total Income	<u>\$1,461,657</u>

Expenses

Cntr Srvc & Fees-Accntg/Tax Prep	\$12,120
Cntr Srvc & Fees-Legal	139,284
Cntr Srvc & Fees-Professional/Cons	41,647
Meals - Employee	44
Mileage Reimbursement	776
Courier & Messenger	60
General & Administrative Expense	288,653
Insurance - Property/Liability	9,573
Licenses & Permits	2,972
Utilities	122
Taxes - Real Estate Property	16,101
Bank Charges & Fees	3,080
Licenses & Permits	50
Depreciation Expense	65
Amortization Expense	24,306
Interest Expense	5,036,971
Total Expenses	<u>\$5,575,824</u>
Net Income (Loss)	<u><u>(\$4,114,167)</u></u>

Note - Excludes out of period expense adjustments totaling \$661,838.
-Excludes accrual of asset management fee.

UNAUDITED

Granite Dells Ranch Holdings, LLC
Statement of Financial Position
December 31, 2011

Assets

Current Assets

Cash & Cash Equivalents	\$1,115,177	
Accounts Receivable	2,426,757	
Other Assets & Prepaids	6,108	
Total Current Assets		<u>\$3,548,042</u>

Long Term Assets

Land	\$95,839,494	
Land Acquisition Costs	13,166,978	
Site Improvements & Landscaping	7,830	
Accumulated Depreciation	(65)	
Development Costs	3,289,678	
Other Assets	4,347	
Total Long Term Assets		<u>\$112,308,262</u>

Total Assets \$115,856,304

Liabilities and Equity

Current Liabilities

Accounts Payable	\$3,098,446	
Accrued Liabilities	22,818,203	
Total Current Liabilities		<u>\$25,916,649</u>

Long Term Liabilities

Deferred Revenue	\$72,917	
Notes Payable	96,992,506	
Other Payables	7,322,876	
Total Long Term Liabilities		<u>\$104,388,299</u>
Total Liabilities		<u>\$130,304,948</u>

Equity

Member Equity	\$20,056,100	
Equity Investment Fees	(\$965,300)	
Retained Earnings	(29,425,277)	
Net Income	(4,114,167)	
Total Equity		<u>(\$14,448,644)</u>
Total Liabilities & Equity		<u><u>\$115,856,304</u></u>

Note - Net Income excludes out of period expense adjustments totaling \$661,838. These expenses are reflected in Retained Earnings.
- Excludes accruals of certain asset management fees.

UNAUDITED

EXHIBIT 5

GRANITE DELLS RANCH HOLDINGS

Cash Projections - Case A

AED Claim	28,500,000			
	Paid	Rate	Years	Payment
Total claim	quarterly	5%	8	1,086,075

	0	1				2				3	4	5	6	7
	Eff Date	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Cash flows from Property Sales, Net Other Revenues		(2,000,000)				(1,000,000)				(1,000,000)	16,889,540	31,702,460	63,332,840	64,666,240
Hansen Mining		1,500,000				1,500,000				1,500,000	1,500,000	1,500,000	0	0
Majors grazing lease		10,000				10,000				10,000	10,000	10,000	0	0
Planning/Zoning/Overhead/Other		(510,000)				(510,000)				(510,000)	(510,000)	(510,000)	(510,000)	(510,000)
Net Project Income / Total Cash Flow		(1,000,000)				0				0	17,889,540	32,702,460	62,822,840	64,156,240
Property Taxes	30,000	16% interest quarterly	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(10,298)	(10,298)		
Balance after Property Taxes		(1,002,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(10,298)	17,879,242	32,702,460	62,822,840	64,156,240
AED Secured Claim		(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(4,344,301)	(4,344,301)	(4,344,301)	(6,066,213)	(7,119,320)
Balance after AED Secured Claim payment		(2,088,650)	(1,088,650)	(1,088,650)	(1,088,650)	(1,088,650)	(1,088,650)	(1,088,650)	(1,088,650)	(4,354,600)	13,534,940	28,358,159	56,756,627	57,036,920
Unsecured Claims														
Investor Insiders		10,000,000												
Investor Non-insiders		16,000,000												
Total Investors		26,000,000												
Ordinary Course		68,000												
AED Unsecured		0												
		26,068,000												
Unsecured Claim distributions														
Ordinary Course	35%	68,000	23,800	quarterly	8	744	(744)	(744)	(744)	(744)	(744)	(744)	(2,975)	(2,975)
Non-participating Investor	35%	19,500,000	6,825,000	quarterly	8	213,281	(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(853,125)	(853,125)
AED Unsecured	35%	0	0	quarterly	8	0	0	0	0	0	0	0	0	0
		19,568,000	6,848,800			214,025	(214,025)	(214,025)	(214,025)	(214,025)	(214,025)	(214,025)	(856,100)	(856,100)
Balance after Unsecured Claim payments						(2,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(5,210,700)	12,678,840
Professional Fees	450,000	payable on effective date	(450,000)											
Balance after Professional Fees			(450,000)			(2,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(5,210,700)	12,678,840
Effective Date Financing														
Effective Date Financing proceeds			18,000,000											
Preference payments			0	0	0	0	0	0	0	0	0	0	(2,400,000)	0
Balance after Effective Date preference payments			17,550,000	(2,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(5,210,700)	10,278,840
Total Cash Flow			17,550,000	(2,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(5,210,700)	10,278,840
Beginning Cash			17,550,000	15,247,325	13,944,650	12,641,975	11,339,300	10,036,625	8,733,951	7,431,276	6,128,601	917,901	11,196,741	38,698,800
Ending Cash			17,550,000	15,247,325	13,944,650	12,641,975	11,339,300	10,036,625	8,733,951	7,431,276	6,128,601	917,901	11,196,741	38,698,800
Beginning Cash			17,550,000	15,247,325	13,944,650	12,641,975	11,339,300	10,036,625	8,733,951	7,431,276	6,128,601	917,901	11,196,741	38,698,800
Cash Flow			(1,000,000)	0	0	0	0	0	0	0	0	0	17,889,540	32,702,460
Recap of Payments														
Property Taxes			(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(2,575)	(10,298)	(10,298)	0	0
AED Secured Claim			(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(4,344,301)	(4,344,301)	(4,344,301)	(6,066,213)
AED Unsecured			0	0	0	0	0	0	0	0	0	0	0	0
Total AED			(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(1,086,075)	(4,344,301)	(4,344,301)	(4,344,301)	(6,066,213)
Ordinary Course Creditors			(744)	(744)	(744)	(744)	(744)	(744)	(744)	(744)	(2,975)	(2,975)	(2,975)	(2,975)
Non-participating Investors			(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(213,281)	(853,125)	(853,125)	(853,125)	(853,125)
New Investor - preference	Assumes \$6,000,000 @ 10% preference		0	0	0	0	0	0	0	0	0	0	(2,400,000)	0
Total Payments			(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(1,302,675)	(5,210,700)	(7,610,700)
Ending Cash			17,550,000	15,247,325	13,944,650	12,641,975	11,339,300	10,036,625	8,733,951	7,431,276	6,128,601	917,901	11,196,741	38,698,800

EXHIBIT 6

Management Team of Cavan Management Services, LLC (“CMS”)



Milwaukee.

David V. Cavan serves as Manager of CMS. He has more than 30 years experience in real estate management, development, investments and brokerage. He has developed more than three million square feet of commercial office and retail space, along with numerous subdivisions in multiple states, with a total project value in excess of a billion dollars. After graduating from military school at Boonville, Missouri, Mr. Cavan attended Bradley University in Peoria, Illinois and Marquette University in



Gary Burton serves as Vice President of CMS, and has over 30 years experience in corporate finance, equity capital and business development for private and public companies. He has successfully directed private equity and corporate transactions for start-up, mid stage and profitable organizations. Mr. Burton has senior management experience in the hospitality and software development industries and previously worked in private law practice and served as corporate counsel for Ramada Hotels. Mr. Burton is a graduate of Arizona State University and earned his law degree at Creighton University.



G. Denny Matthew, serves as Vice President of CMS, has more than 25 years experience in real estate finance and development, preceded by Big Eight Accounting experience. After graduating from Cornell University with a Bachelor’s degree in Electrical Engineering and a Master’s degree in Science, Matthew went on to receive his MBA from Harvard Business School. Mr. Matthew has presented, negotiated, and closed more than \$300 million in financing and more than \$100 million in sales of real estate projects, developed models for projecting developer’s cash flow for various office building projects, created real estate loan proposals, and has project analysis experience with asset protection, tax, and estate planning.



Nancy Stone serves as Chief Financial Officer of CMS. Prior to joining CMS she was the President and Vice Chairman of publically held ILX Resorts Incorporated, one of the leading providers of vacation ownership in the western United States. Ms. Stone was an integral part of the executive team of ILX for more than twenty years, having joined the company as Chief Financial Officer during its development stage. Prior to ILX, Ms. Stone worked for Arthur Anderson & Co. and held financial management positions with national and regional companies. Ms. Stone has an undergraduate degree in finance from Michigan State University and an MBA from Arizona State University. She is a CPA in the state of Arizona.

EXHIBIT 7

EXHIBIT 7
TO BE PROVIDED